GENERAL MOTORS

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GENERAL
MOTORS

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ANNUAL REPORT

Table of Contents

Cover: 1988 Pontiac Grand Prix—Motor Trend magazine's "Car of the Year"

Highlights

(Dollars in Millions Except Per Share Amounts)	1987	1986	1985
Sales and Revenues	$101,781.9	$102,813.7	$96,371.7
Worldwide Factory Sales of Cars and Trucks (units in thousands)	7,765	8,576	9,305
Net Income			
Amount	$ 3,550.9	$ 2,944.7	$ 3,999.0
As a percent of sales and revenues	3.5%	2.9%	4.1%
Earnings attributable to:			
$1-2/3 par value common stock	$ 3,178.9	$ 2,607.7	$ 3,883.6
Class E common stock	$ 139.1	$ 136.2	$ 103.8
Class H common stock (issued in December 1985)	$ 219.2	$ 190.0	—
As a percent of common stockholders' equity	11.1%	9.6%	13.6%
Earnings per share attributable to:			
$1-2/3 par value common stock	$10.06	$8.21	$12.28
Class E common stock	$2.65	$2.13	$1.57
Class H common stock (issued in December 1985)*	$1.67	$1.48	—
Taxes			
United States, foreign and other income taxes (credit)	($ 59.9)	($ 300.3)	$ 1,630.3
Other taxes (principally payroll and property taxes)	2,636.1	3,226.9	3,185.6
Total	$ 2,576.2	$ 2,926.6	$ 4,815.9
Taxes per share of $1-2/3 par value common stock	$8.16	$9.21	$15.23
Investment as of December 31			
Book value per share of common stocks:			
$1-2/3 par value common	$89.09	$83.09	$79.13
Class E common	$22.83	$21.28	$20.34
Class H common*	$22.30	$20.79	$19.88
Number of Stockholders as of December 31 (in thousands)			
$1-2/3 par value common and preferred	830	868	927
Class E common	438	456	482
Class H common	506	540	592
Average Number of Employes (in thousands)	813	877	811

*Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend declared February 1, 1988, payable to Class H stockholders on March 10, 1988.

For General Motors, 1987 was an important year as our reorganization, plant modernizations, technological advances, and cost cutting began to take effect. In addition, new labor agreements strengthened teamwork among management, unions, and employes.

This annual report highlights some of the changes that have taken place at GM—and that are continuing to unfold. It includes a 16-page special supplement following page 14, featuring our new generation of exciting cars and trucks.

A modern, revitalized GM is emerging, a GM with the products, people, technologies, and strategies to prosper in today's increasingly competitive global automotive market. Nowhere was this expressed more vividly than at GM's recent exhibition in New York, featured on pages 6-7.

Message to Stockholders

In a challenging year, General Motors demonstrated its commitment to near-term business objectives and a strong foundation for continued world leadership.

Roger B. Smith
Chairman

Robert C. Stempel
President

Pursuing both its near-term business objectives and its extensive renewal and revitalization for further profitable growth, General Motors recorded sales exceeding $100 billion in 1987 for the second successive year. GM earned $3.6 billion for the year, up 21 percent from 1986 despite a 9 percent reduction in worldwide unit sales. Earnings per share of $1-2/3 par value common stock were $10.06, an increase of $1.85 per share over 1986.

Progress Toward a Long-term Goal

The increase in net income in the face of lower overall volume reflects:

- Dramatic improvement in overseas automotive operations, which earned a record $1.9 billion profit in 1987 compared with a loss of $0.6 billion in 1986;
- Record earnings of $1.5 billion at General Motors Acceptance Corporation, which remitted $900 million in dividends to GM;
- Record sales and earnings achieved by Electronic Data Systems Corporation and GM Hughes Electronics Corporation; and
- Significant progress in meeting the tough cost-reduction objectives we spelled out here a year ago.

We derive further encouragement from the ability of the North American operating groups to earn a nominal profit during a transitional period of lower volume and a number of nonrecurring charges, including up-front salaried employe separation costs.

There were other significant accomplishments in 1987. For example:

- New three-year labor agreements were negotiated with the United Auto Workers and other unions—forward-looking and far-reaching agreements reached in a new spirit of teamwork that facilitates the vital partnership between management and labor.
- Our management teams at EDS and GMHE were strengthened, enabling those subsidiaries to maximize the content, application, and value of the technologies they bring to GM's automotive business.

In essence, 1987 was a year of important progress in the marriage of teamwork and technology that has become the focus of GM's strategic redirection.

New Products Launched

We brought new products on stream in nine new or completely modernized plants in 1987—a record achievement attributable to an outstanding effort over the past four years by your GM team.

These products represent a new generation of distinctive GM cars and trucks that are first-rate in safety, reliability, fuel efficiency, and performance.

Here is a sampling of our new offerings:

- The first models in our all-new line of mid-size products. Mid-size cars are a traditional area of GM strength. The first of these models, the Buick Regal, is winning excellent consumer acceptance and will help

us regain market share that had been lost because of our model changeover in this segment.

- A new line of Chevrolet and GMC full-size pickup trucks. These are the U.S. industry's first new line of full-size pickups in a decade. Trucks account for close to a third of all the vehicles we sell.
- The new Chevrolet Corsica/Beretta, GM's top-selling line at the end of the 1987 model year. This car won the top award given by the Industrial Designers Society of America.
- Three new state-of-the-art engines. These include the GM Quad 4 engine, a four-cylinder, 16-valve high-performance powerplant available on selected Buick, Oldsmobile, and Pontiac compact models; the GM 4.5-liter V8 engine offered exclusively on Cadillacs as standard equipment; and the GM 3800 V6 engine now standard in many Buick, Oldsmobile, and Pontiac models.

Plant Rebuilding Near Completion

GM's massive rebuilding of its production capacity to assure your company the most efficient, highest quality manufacturing operations is nearing completion.

In the past seven years, GM has constructed eight all-new plants in the United States, including an assembly facility completed in 1987 at Fairfax, Kansas. Another, the Saturn plant, is scheduled to open in 1990 at Spring Hill, Tennessee. In addition to the all-new plants, 20 other manufacturing and assembly plants have been rebuilt or completely modernized. And the necessary phase-out of the older, less efficient facilities replaced by the new plants will be essentially completed by the end of 1989.

This reindustrialization program—the replacing of obsolete plants and equipment with state-of-the-art facilities and the retraining of workers—is, in its scope and complexity, without parallel in the history of American industry. To be sure, it has been undertaken at significant near-term cost and even with the temporary sacrifice of some market advantage. However, this program is of utmost importance to GM's long-term profitable growth and provides us now with the necessary strengths to retain GM's world leadership in the automotive business.

Labor Agreements Mark a New Commitment

An important step in the evolution of a more cooperative and more productive relationship between management and employes was taken when the historic contract with the UAW was achieved without a strike—without even a strike deadline—and was ratified by more than 80 percent of the members voting. Similar agreements were reached with the other unions. All of these agreements signify our mutual commitment to a shared objective.

Recognizing that management, unions, and employes must cooperate in unprecedented ways to meet today's and tomorrow's competitive challenge, the new pacts are also significant in that they improve job security. Management believes that job security programs are very important because they encourage employes to play a major role in improving operational effectiveness.

The new agreements explicitly provide for cooperation between General Motors management and the unions to improve the quality of GM products and the effectiveness of GM's assembly and component plants. The role assigned the UAW/GM Quality Network as the new contracts took effect underscores this commitment to a strengthened partnership to achieve superior manufacturing competitiveness, product quality, and market responsiveness.

We are particularly encouraged by the high level of employe cooperation and response we are already receiving in the joint union/management operational effectiveness studies under way at all of our U.S. operations.

Technology Advances With EDS and GMHE

Another key element of GM's strategy is our continuing partnerships with EDS and GMHE. Record earnings in 1987 for these two subsidiaries were achieved under new management teams. Both are superb businesses in their own right, and they support our drive for integrated business and production systems. Their expertise in systems engineering and in areas like manufacturing systems, data processing, telecommunications, microelectronics, optics, and materials science is already beginning to have a profound effect on GM's products and manufacturing processes.

EDS and GM have achieved a much improved working relationship, and GMHE is maintaining its outstanding relationship with the rest of General Motors. Both EDS and GMHE are contributing significantly to the incorporation of advanced technology in GM's products and plants. For example, both subsidiaries played key roles in the development of computer-integrated

manufacturing facilities in GM's new assembly plants in Linden, New Jersey, and Fort Wayne, Indiana. Further, GMHE led the development of the GM Sunraycer, the advanced solar-powered vehicle that won the 1,950-mile trans-Australia world solar challenge race in November 1987.

We are proud that EDS revenues from customers other than GM grew by a solid 28 percent during 1987. Major new contracts were awarded to EDS by the United States Department of Defense and by finance, insurance, and health-care organizations. Similarly, even with a general leveling of military spending, GMHE's defense and space business continued to grow and its backlog of contracts was more than 8 percent above a year earlier.

Cost Savings Target Exceeded

Competitive success in the marketplace depends upon our ability to give our customers what they want in terms of style, quality, reliability, safety, and performance. In addition, of course, we must be cost-competitive. Thus, our cost reduction program receives priority attention.

In 1987—the first year of the Cost Reduction Action Plan we reported to you last February—we achieved net cost savings totaling $3.7 billion, substantially exceeding our $3.0 billion goal for the year.

- Salaried employment was reduced by over 36,000, representing over 90 percent of our original target of reducing salaried ranks by 40,000 by the end of 1988. Net savings totaled $470 million. Despite our Action Plan personnel reductions in 1987, work force representation of minorities —both hourly and salaried—has been maintained. The minority proportion of GM's U.S. work force has remained at 21%. Women currently constitute approximately 19% of our work force, down slightly from 20% at the end of 1986.
- Corporate staff expenses were reduced by $49 million toward our objective of a $200 million reduction by 1990.
- Component cost savings of $500 million will be achieved by 1990 through our operational effectiveness efforts.
- Cumulative savings from restructuring actions to date exceeded our goal of annual savings of over $200 million by 1990.

Joint ventures are playing an increasingly significant role in GM's restructured operations. In 1987, we entered into a joint venture with the Penske Corporation in the diesel engine business, entered into another with Isuzu for commercial vehicles in Europe, and announced plans for a joint venture with Toyota to combine our automotive operations in Australia. In addition, we completed the sale of our U.S. transit bus operation and sold our European heavy-duty truck business.

In 1987, earnings as a percent of common stockholders' equity were 11.1 percent, up from 9.6 percent in 1986. Our disciplined and aggressive cost reduction programs and other measures will help us realize our goal of providing a return on common stockholders' equity of at least 15 percent by 1990.

Strong Cash Position Maintained

Clearly, the decline in overall industry sales and in our market share affected our 1987 results. So did the necessary changeover and start-up costs associated with the introduction of our all-new products at nine plants. However, adoption of revised service lives for GM's plants, equipment and special tools, which put us more in line with our domestic competitors, had an offsetting positive effect.

Most important, GM continues to maintain a strong cash generating position. We increased our cash balances by approximately $700 million in 1987 to $4.7 billion, while our total debt was essentially unchanged.

In 1987, we paid common dividends for the 73rd consecutive year, the longest uninterrupted dividend payment record of any U.S. auto manufacturer. Moreover, during the past four years, our cumulative dividends paid have been more than double the combined dividends paid by our two largest domestic competitors. This is, of course, consistent with our historic dedication to serve the best interests of our stockholders.

Our confidence in the long-term prospects of the business encouraged us to repurchase nearly $700 million of GM common stocks in line with the repurchase program announced last March.

These repurchases—over and above repurchases for various benefit programs—consisted of 7.3 million shares of $1-2/3 par value common stock, 2.9 million shares of Class E common stock, and 1.1 million shares (post-split) of Class H common stock.

We stepped up the repurchase program for $1-2/3 par value common stock after the stock market fell last October. Confident that our strategic redirection has been meaningful and will be increasingly successful, we believe

the repurchase of our stock is an attractive investment.

GM's cash flow strength can be attributed to reduced automotive capital spending. Automotive capital spending of $6.1 billion in 1987 was $4.1 billion below the 1986 level—and $1.6 billion below the 1987 target spending level. These reductions reflect the near-completion of our plant modernization program, as well as more efficient use of capital within our major projects. However, the reductions did not adversely affect product programs.

New Products Coming to Market

We have begun the greatest two-year period of new model introductions in GM's history. In all, GM will introduce five all-new, distinctive, technologically advanced passenger cars and one new truck in calendar year 1988 and three all-new passenger cars and two all-new trucks in 1989. In addition, over these two years, GM will introduce 21 other car and truck models that are significantly changed from current product offerings.

In early 1988 we have introduced the mid-size Pontiac Grand Prix coupe, the mid-size Oldsmobile Cutlass Supreme coupe, and the handcrafted Buick Reatta luxury coupe. These have received high acclaim for their quality and design features, with the Grand Prix winning Motor Trend magazine's 1988 "Car of the Year" award and the Cutlass Supreme placing second in the same competition. The fuel economy leader, the Chevrolet Sprint, and the Firefly, a counterpart of the Sprint sold in Canada, have been redesigned and will be introduced in late 1988.

The new truck making its debut in 1988 is Chevrolet's four-wheel-drive sport utility vehicle that initially will be produced by Suzuki and subsequently by a GM-Suzuki joint venture in Canada.

Affirming Our Progress and Potential

We enter 1988 with renewed dedication, a strong cash flow, a very strong balance sheet, modernized production facilities, the finest product lineup in GM's history, and a very strong flow of additional new products coming on stream in the near future.

We have embarked on a program within GM which is probably unprecedented in terms of scope, urgency and magnitude in modern American business history. It affects many, many people—customers, employes, investors, dealers, vendors, and others. We never expected to achieve our goals quickly, easily, or painlessly. And, even today, as we are encouraged by the progress, we hold no illusions. No one knows better than GM senior management the serious challenges which remain ahead of us. No progress report can be complete without sharing not only the signs of progress which encourage us, but the challenges which lie ahead.

Our principal challenge is to build increasing profitability in our North American automotive business. We want to do this by managing our cost levels to be consistent with our market share *and* by profitably increasing our market share in an increasingly competitive environment. In this environment, no effort, including further cost reductions, will be spared in enabling GM to resume a strong, consistent pattern of profitable growth as the world's leader in the automotive industry.

A glimpse of GM's progress—as well as reassurance of GM's enormous potential—was offered at our "Teamwork and Technology" 80th anniversary exhibition January 5-7 in New York. That show (depicted on the following two pages) and this publication constitute a report on the dramatic progress GM is making.

GM today is the leading car manufacturer in the world by a wide margin. We build and sell nearly one out of every five cars purchased in the entire free world. Precisely because of our great organizational and financial strengths, we have been able over recent years to transform GM into a 21st Century corporation so that we can be expected to grow even stronger and more profitable in the years ahead.

We wish to acknowledge the role of F. James McDonald, who retired in September 1987 as GM's President and Chief Operating Officer following an illustrious 47-year career with the Corporation. We thank Jim for his outstanding and dedicated service.

We particularly wish to thank all GM people—customers, stockholders, employes, union officials, dealers, and suppliers—for their contribution to our achievements. Together we have come a long way toward assuring GM a future in which employes enjoy security and career growth in the workplace, consumers enjoy great value and satisfaction from our products, and stockholders enjoy the benefits of enhanced returns on their investment. We deeply appreciate your continued loyalty and support.

Roger B. Smith
Chairman

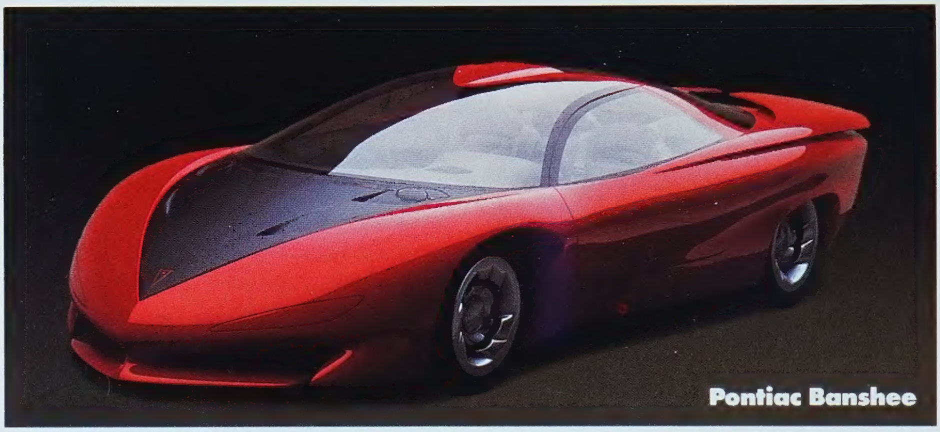
Robert C. Stempel
President

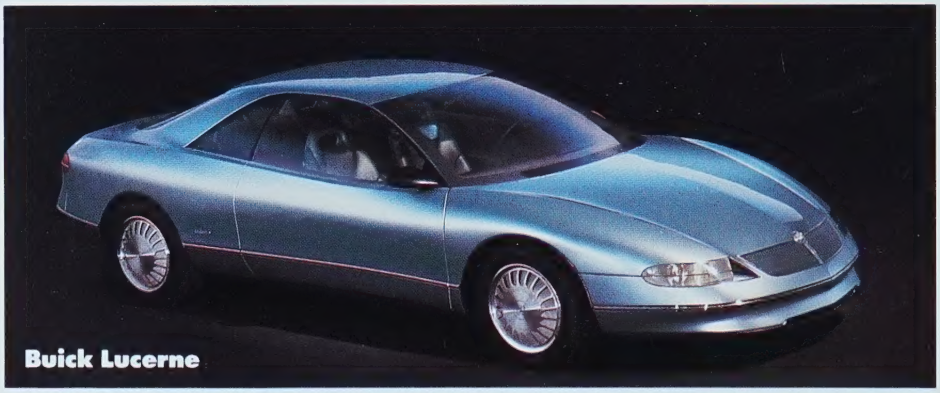
February 9, 1988

"Teamwork and Technology"

General Motors showed its new products and shared its vision of the future at a three-day exhibit in New York.

Above: GM's Sunraycer outperformed all competitors in winning the 1,950-mile world solar challenge in Australia.





In early January 1988, General Motors presented a major exhibition in New York, the largest single showing of GM technology in history. Titled "GM Teamwork and Technology—for Today and Tomorrow," it was a report to the American public on the Corporation's progress and potential.

The event featured the Corporation's latest production models, as well as some concept vehicles for the future shown on these pages. It was attended by more than 16,000 invited guests representing a cross-section of GM's many publics: customers, employes, union leaders, dealers, stockholders, financial analysts, suppliers, the news media, and government officials.

In addition, the message of the exhibition went out to tens of millions of Americans through a nationwide advertising program.

Opposite page: The Pontiac 2+2 Banshee performance coupe (top) has features that could appear in the next generation of Firebirds. Buick's Lucerne luxury touring coupe (center) features "silent start" and electronic shifting. GMC Centaur (bottom) blends the interior comfort of a car with the practical utility of a truck.

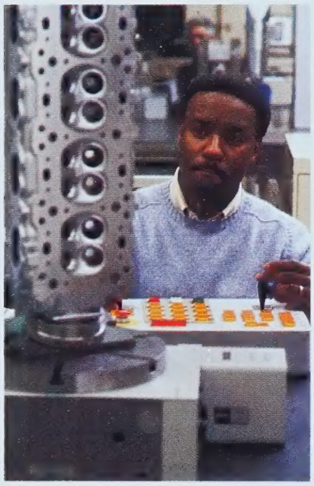
This page: Oldsmobile's Aerotech (above) holds the world's closed-course land speed record—257.153 mph. Chevrolet Venture (right) has an all-glass upper structure that automatically darkens in direct sunlight. Cadillac Voyage (bottom) is a "rolling laboratory" of advanced concepts including a rear-view video system.

Chevrolet Venture

Cadillac Voyage

Managing the Business

Our success is achieved by offering cars and trucks our customers want...with the quality they demand... and the value they expect. We have taken actions to improve our manufacturing effectiveness and efficiency.



Right: A daily occurrence at GM plants, quality audits bring management and production workers together to resolve any problems that may arise. Left: GM's technology supports the drive for higher quality, as in the case of Quad 4 engine testing.

GM's strategy involves the examination of every aspect of the business, making basic changes in the way we produce vehicles, simplifying our product lineup, and delivering the highest quality and value to our customers.

The virtual rebuilding of our manufacturing operations is nearly complete, and we are beginning to reap substantial benefits. At Mansfield, Ohio, our new automated transfer presses will require five people to produce 500 quarter panels per hour, equivalent to the output of two and one-half conventional press lines operated by 35 people. At Romulus, Michigan, we are currently qualifying a new engine line which will produce engines with less than 50 percent of the work force traditionally used. At our Doraville, Georgia, assembly plant, production used to require 41 employe hours per car, but production of our new mid-size cars at the same facility will require substantially fewer hours, with improved product quality.

While modernized facilities and improved processes are resulting in greater manufacturing efficiency, ongoing cost reduction and profit improvements continue to be urgent priorities. Through our Action Plan, we have targeted $10 billion in permanent annual savings by year-end 1990.

Improving the quality of the vehicles we make goes hand in hand with cost reduction. As an example, cutting back our array of models, powertrains, trims, and options not only reduces costs and manufacturing complexity but also provides an opportunity to focus more closely on quality. Since 1986, we have reduced the number of car models in the U.S. from 175 to 158 and expect a further reduction to 132 by 1992.

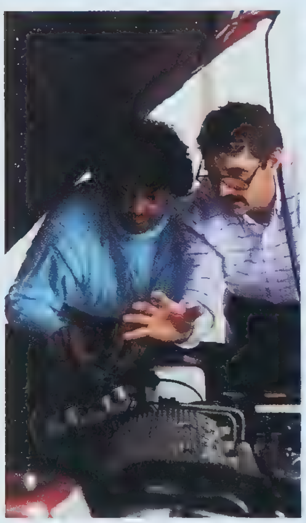
At the same time, a major initiative is under way directly supporting our quality and competitiveness objectives. A team representing the UAW/GM Quality Network is in the process of integrating these efforts into one common thrust. We are putting in place a single approach to improve quality and competitiveness from concept through implementation—involving all of our people.

We are also improving our competitiveness through aggressive pricing. Over 50 percent of GM's 1988 models can be purchased for less than their 1987 counterparts, comparably equipped.

The goal: To produce better products for our customers and earn a superior return for stockholders.

The Human Partnership

Our new three-year labor agreement with the UAW, reached without a strike deadline and ratified by more than 80 percent of the union members voting, provides dramatic evidence of a new spirit of cooperation.



Right: Employes helped develop a "craft station concept" for assembling the Buick Reatta. The car comes to the team, whose members perform tasks at their own pace, assuring top quality. Then they send it on to the next work station. Left: At GM, employe training is an ongoing process.

First among General Motors' assets is its people. Our objective is to make our work force the most competitive in the world—through increased training, a sense of shared objectives, and progressive employment practices that make the best use of the talents of all our people, hourly and salaried.

This spirit of partnership is exemplified by our new labor contract with the UAW. Among other provisions, the agreement calls for an expanded UAW-GM cooperative effort to make our facilities more competitive.

At GM's plants, joint committees are studying ways to reduce costs and improve product quality. At most major GM facilities, union and management have developed competitive assessment centers adjacent to the shop floors. Employes meet at these centers each day to exchange ideas that will eliminate bottlenecks, improve quality, and reduce costs. If necessary, they get in touch directly with suppliers to suggest improvements. And they set goals for their own performance.

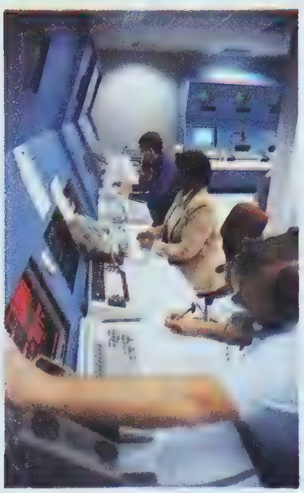
We are also increasing our training programs for all employes. At our new Fort Wayne, Indiana, truck plant, employes underwent nearly two million hours of training before production began. The result was the smoothest start-up of a new plant in GM's history. And at Fairfax, Kansas, where we are building mid-size cars at another new, modern plant, each employe received up to six weeks of training—not just in job skills, but in team-building, problem-solving, interpersonal skills, and other abilities they can use on the job as well as in their lives outside the plant.

To reduce costs and improve GM's competitiveness, it has been essential to reduce both hourly and salaried employment levels. General Motors has one of the most comprehensive programs in American industry—working with employes, unions, and communities—to help those affected by work-force reductions and necessary plant closings. As just one example, in closing the Norwood, Ohio, assembly plant, our commitment could exceed $100 million in Supplemental Unemployment Benefits and other programs in fulfilling our responsibilities to our employes.

The goal: To create an atmosphere that provides all GM people the opportunity to contribute.

Advanced Technology

Technology is the wave of the future. Through GM Research Labs, EDS, GM Hughes Electronics, and other subsidiaries, GM has established technological preeminence in the building of better cars and trucks at lower cost.



Right: General Motors is a world leader in computer integrated manufacturing and robotics. Both of these advanced technologies enhance quality and productivity. Left: The EDS installation at one new truck plant integrates management and manufacturing processes.

Rapid advances taking place in the industry are reflected both in the increased technological content of vehicles and the use of advanced technology in manufacturing processes.

Through GM Research Laboratories, Electronic Data Systems, and GM Hughes Electronics, GM stands at the leading edge of this technological revolution. EDS is the world's foremost provider of computer and communications services. GMHE is a leader in advanced electronics and systems engineering. Already, EDS and GMHE are providing GM with unique competitive benefits.

Some GM cars and trucks now contain as many as ten microprocessors. These are integral to a variety of new electronic controls for engines and transmissions as well as for safety, entertainment, comfort, and display systems. The trend toward higher technology is expected to continue, with the electronic content of new cars projected to increase by at least 50 percent in the next five years.

More than 25 joint General Motors-Hughes teams are working at transferring technology developed for defense and space to GM automotive applications. Anti-lock brakes, night vision, collision warning, and head-up display systems are among these projects.

Both EDS and GMHE are contributing to the automation of GM manufacturing. During the start-up of the new Fort Wayne, Indiana, truck plant, EDS developed software for individual manufacturing subsystems, such as welding robots and automated guided vehicles. GMHE developed a computer simulation of the complete factory operation to uncover problems before production started.

EDS is assisting General Motors Acceptance Corporation with state-of-the-art technology to upgrade its business systems and data processing. Most GM facilities have direct communications via a Hughes satellite.

GMHE and EDS have also expanded GM's presence in the defense industry, making GM the nation's fifth largest defense contractor.

GMFanuc Robotics Corporation, a joint venture with GM, is the largest manufacturer of robots in the United States. And with the acquisition of Group Lotus, plc, GM secured engineering services covering engine, vehicle dynamics, composites, aerodynamics, and other automotive technologies.

The goal: To apply state-of-the-art technology to all areas of our business.


GMF robotics S-480R

1988 Buick Reatta

HERE COMES GENERAL MOTORS

1 9 8 8

New designs and new technology. The future is now.

Pictured on the following pages are some of the industry-leading vehicles available right now at your local GM dealer. As you look through these pages, you will find a new generation of GM cars and trucks offering the qualities buyers want most…value, good looks, performance, reliable workmanship, durability, and leading-edge technology.

Features and performance characteristics of selected GM models include:

• Electronic fuel injection, now standard on nearly 90 percent of our product line.

• Front-wheel drive, standard on more than 70 percent of our cars and light trucks.

• Base coat/clear coat paint, standard on virtually all GM vehicles produced in North America, ensuring deeper, richer color and a more durable luster.

• Suspension systems that are, in many cases, fully independent.

• Power disc anti-lock brake systems.

• Four-speed automatic transmissions which provide increased fuel economy and improved driveability compared with traditional three-speed transmissions.

• Bumpers resistant to damage in collisions up to five miles per hour, versus a government standard of 2½ mph.

• Long-lasting stainless steel exhaust systems.

• New interior fabrics which are more durable and stain resistant and easier to clean.

• Safety – In 1987, for the tenth consecutive year, General Motors led the industry in the number of cars rated safest based on insurance data provided by the Highway Loss Data Institute.

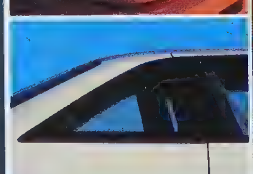
• Economy – Again this year, a Chevrolet Sprint Metro achieved the best mileage in the fuel economy ratings published by the Environmental Protection Agency, 54 mpg in city driving and 58 mpg on the highway.

• Repairability – Collision insurance claims data for late model vehicles indicate that the GM vehicles are about 10% less expensive to repair over competition.

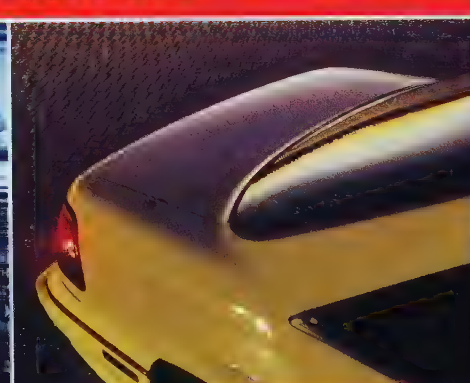
• Engines – New for 1987-88 are the revolutionary Quad 4 engine, which delivers an unprecedented combination of power, fuel efficiency, and reliability, the high-performance 4.5-liter V8, and the 3800 V6.

We've promised our customers the best cars and trucks in the world – and we're delivering.

The Pontiac Grand Prix is MOTOR TREND magazine's "Car of the Year" for 1988.



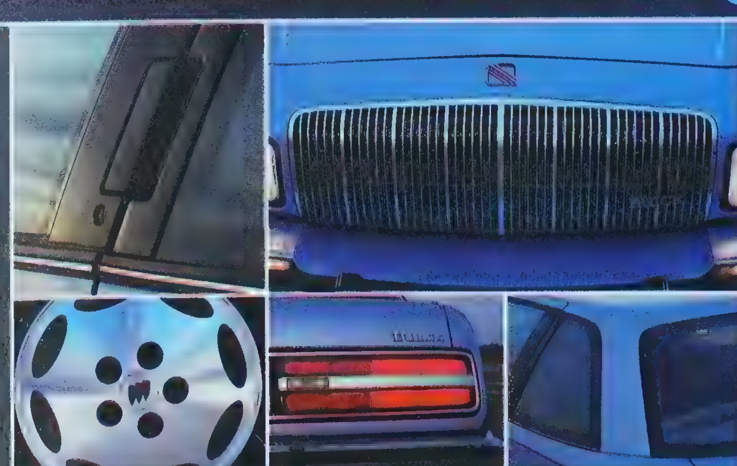
PONTIAC GRAND PRIX SE



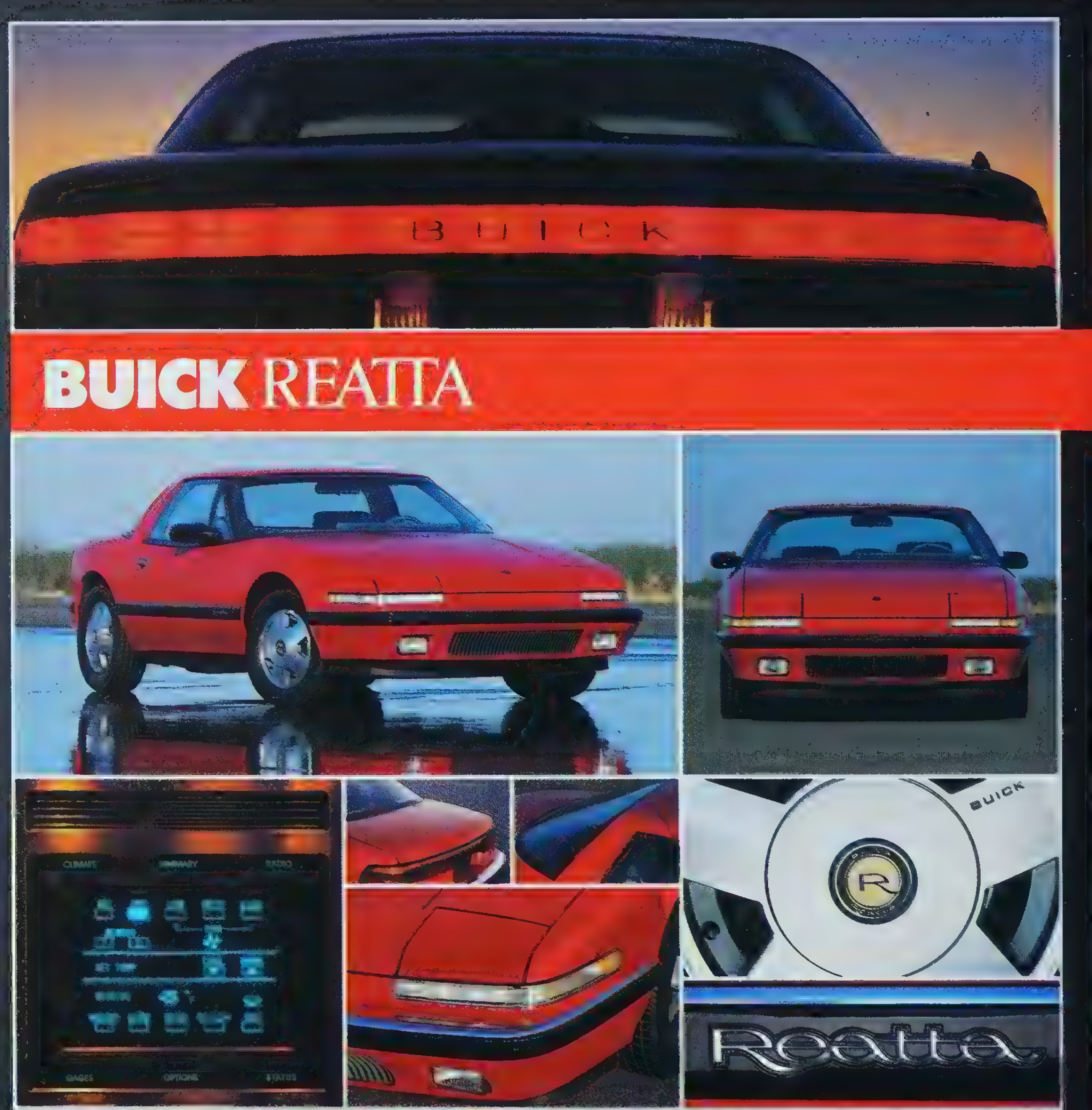
The Pontiac Bonneville SSE, a world-class touring sedan with anti-lock brakes and a host of innovations as standard equipment.

PONTIAC BONNEVILLE SSE

BUICK REGAL LIMITED



The Buick Regal—an all-new premium mid-size coupe. This six-passenger automobile features a V6 engine, four-wheel independent suspension, and four-wheel power disc brakes as standard.


B U I C K
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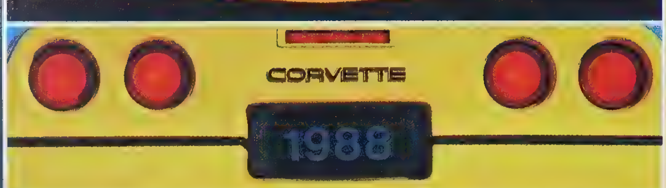
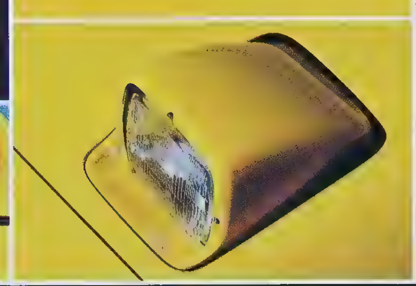
Reatta

The Buick Reatta is the premium American two-seater with an aerodynamic sporty flair and a long list of standard equipment including anti-lock brakes.

CHEVROLET CORVETTE





Corvette, more than any other two-seater, has been *the* influential sports car of the modern era.

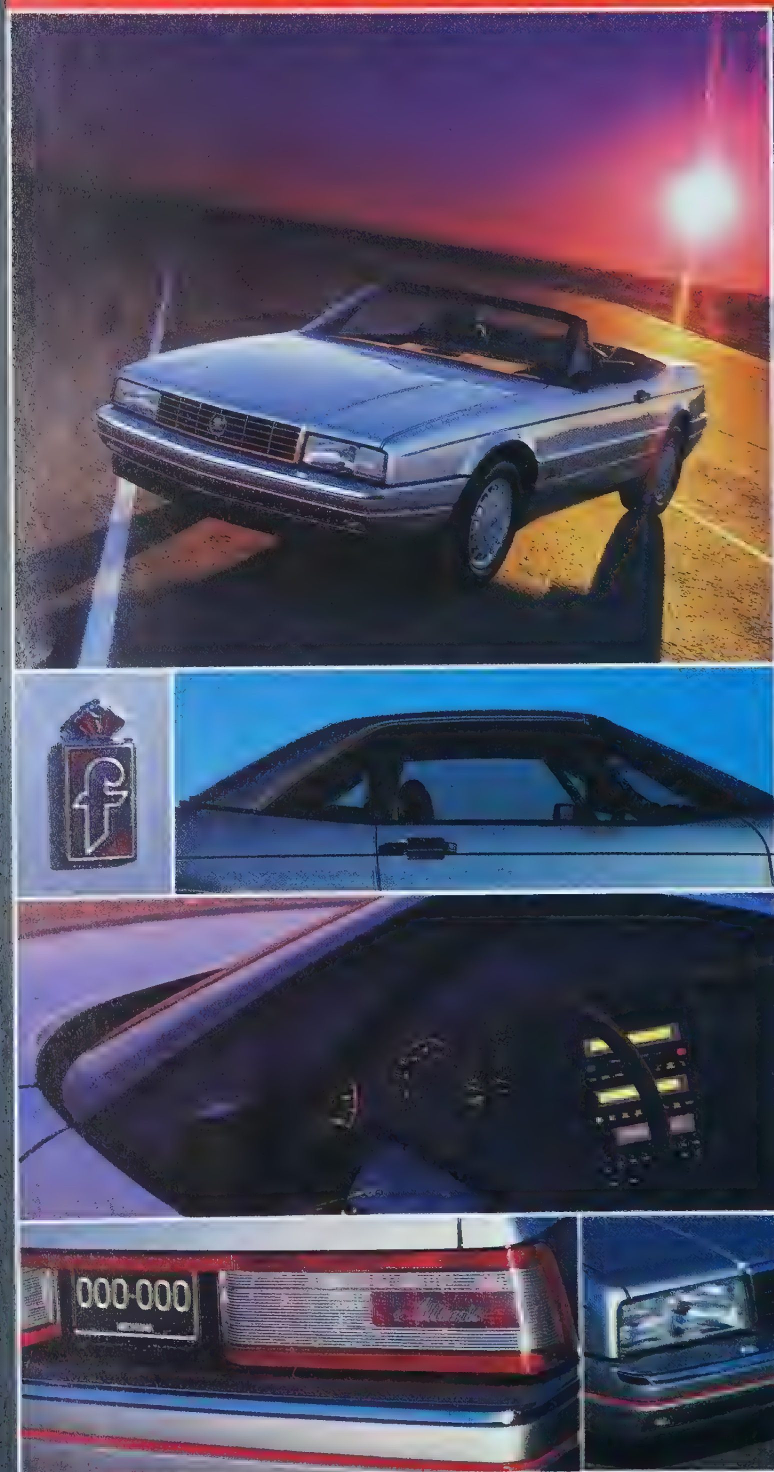
The Chevrolet Beretta GT, a true sports coupe, which is both aggressive and affordable—one of MOTOR TREND'S top three cars of the year.

CHEVROLET BERETTA GT

The 1988 Eldorado, powered by the new, GM 4.5-liter V8 engine used exclusively by Cadillac, combines traditional Eldorado styling with contemporary handling and performance.

The Cadillac Allanté, America's first ultra-prestige automobile, merges European road manners and craftsmanship with renowned Cadillac comfort and convenience.

CADILLAC ALLANTÉ

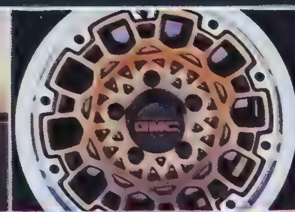


OLDSMOBILE CUTLASS SUPREME

OLDSMOBILE TOURING SEDAN

The all-new Oldsmobile Cutlass Supreme— one of MOTOR TREND'S top three cars of the year— offers aerodynamics in its most advanced form.

Oldsmobile Touring Sedan offers ride and handling characteristics that rival or surpass the finest European touring cars.



GMC SAFARI SLT

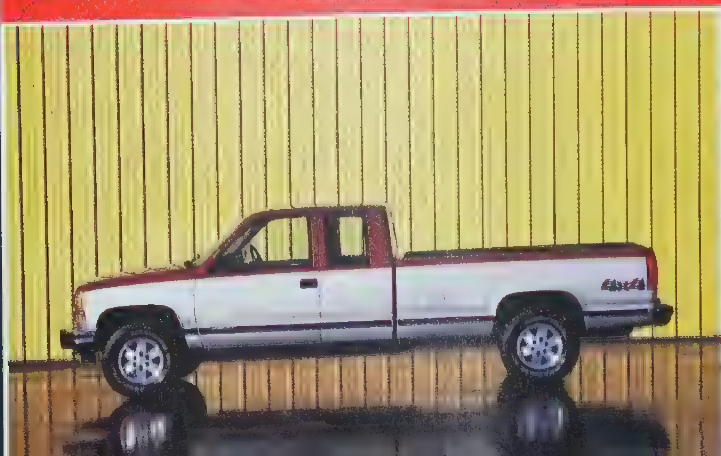
GMC Safari SLT offers uncommon elegance and distinction, and a variety of seating combinations.

GMC Sierra Sportside, a full-size pickup with running board steps, combines rugged on-the-job capability with riding comfort and ample passenger room.

Chevy's Extended Cab pickup, a brand-new truck with a full eight-foot pickup box.

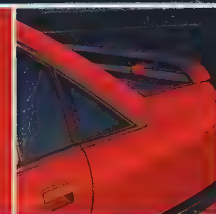
GMC SIERRA SPORTSIDE PICKUP

CHEVROLET EXTENDED CAB PICKUP



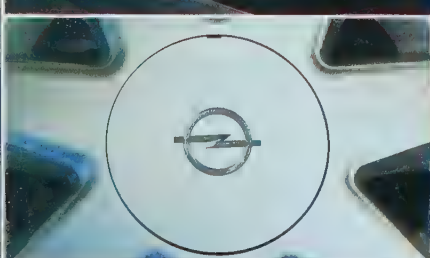
OPEL OMEGA 3000

The Opel Omega was named European Car of the Year for 198



OPEL SENATOR

The Senator, Opel's elegant, new low-drag luxury flagship with advanced suspension, high-tech features and far more.



This review is intended to highlight key trends and developments in General Motors' financial results and to discuss 1987 performance in the context of the Corporation's strategic program to reduce costs, modernize facilities and improve return on common stockholders' equity.

Earnings Increase

General Motors' net income increased 20.6% in 1987 to $3,550.9 million, or $10.06 per share of $1-2/3 par value common stock. Sales and revenues decreased 1.0% to $101.8 billion.

Net income included the favorable effect of $2.55 per $1-2/3 par value share, resulting from revisions in estimated service lives of certain property. During the year, the Corporation revised its estimated service lives to reduce the rate of depreciation for certain plants and equipment and the amortization rate of special tools. These revisions bring the Corporation's depreciation and amortization charges more closely in line with actual useful lives.

Also favorably influencing net income in 1987 were a net tax credit reflecting the continuing amortization of investment tax credits earned in prior years and tax benefits, amounting to $298 million, or $0.94 per share of $1-2/3 par value common stock, related to the utilization of loss carryforwards at certain overseas operations.

In 1986, GM net income of $2,944.7 million, or $8.21 per $1-2/3 par value share, was 26.4% lower than in 1985. Sales and revenues in 1986 were $102.8 billion, up 6.7%, and included Hughes Aircraft Company (Hughes) sales of $6,899.9 million for the first time.

Dollar sales and revenues include price adjustments of $3.2 billion in 1987, in comparison to $4.1 billion in 1986 and $3.2 billion in 1985.

In 1986, as part of its ongoing strategic redirection, the Corporation announced plans to close certain manufacturing and assembly plants over the next three years and to restructure certain other operations. GM's 1986 results included a special provision for these closings and restructurings, resulting in a net reduction in 1986 earnings of $0.92 per share of $1-2/3 par value common stock.

Net income for 1986 included favorable effects of $195.6 million, or $0.61 per $1-2/3 par value share, from revisions to pension plan actuarial assumptions and $330.5 million, or $0.96 per share, from the adoption of Statement of Financial Accounting Standards (SFAS) No. 87, Employers' Accounting for Pensions. A favorable effect of $102.2 million resulted from foreign exchange/translation activity.

Earnings on common stocks as a percent of common stockholders' equity were 11.1% in 1987 compared with 9.6% in 1986 and 13.6% in 1985. GM's profit margin (net income as a percent of sales and revenues) was 3.5% in 1987, 2.9% in 1986 and 4.1% in 1985.

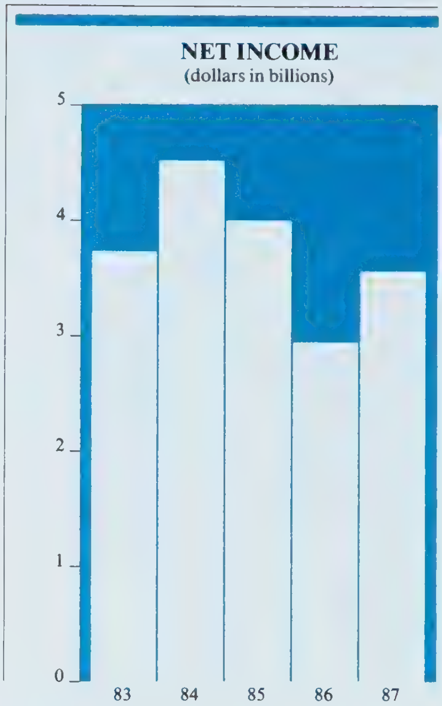
Automotive Business

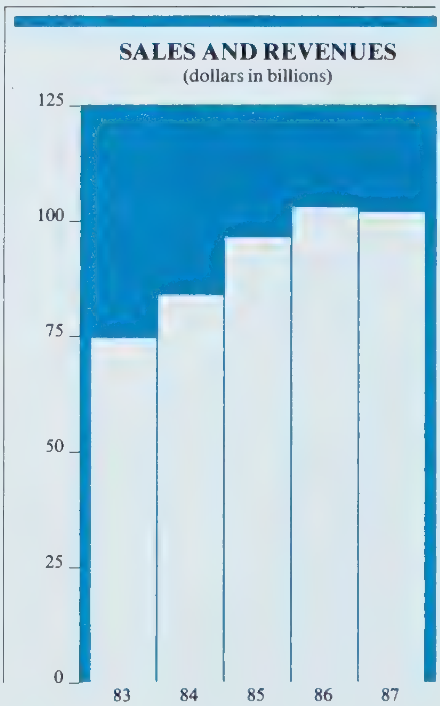
Worldwide factory sales of vehicles to GM dealers totaled 7,765,000 units in 1987, down 9.5% from the prior year. Unit sales declined 12.2% in the United States and 21.0% in Canada but increased 2.7% overseas. The U.S. decline resulted from a decrease of 710,000 units in passenger car factory sales. The reduction in Canada partially reflects production constraints due to model changeover at two car assembly plants. European unit sales increased 5.2% to a record level.

In 1986, worldwide factory sales of 8,576,000 units were down 7.8% from the prior year. Unit sales decreased 9.3% in the U.S., 12.5% in Canada and 1.3% overseas. The U.S. decline included decreases of 580,000 units in passenger car sales and 17,000 units in truck and bus sales.

Due to the intense competition, GM's share of domestic automobile and truck retail sales was 34.7% compared with 38.5% in 1986 and 40.3% in 1985.

However, in 1987, GM once again sold





WORLDWIDE FACTORY SALES

(Units in Thousands)	CARS			TRUCKS & BUSES			TOTAL		
	1987	1986	1985	1987	1986	1985	1987	1986	1985
United States	3,592	4,302	4,882	1,520	1,520	1,537	5,112	5,822	6,419
Canada	344	545	562	238	192	280	582	737	842
Overseas*	1,857	1,783	1,762	214	234	282	2,071	2,017	2,044
TOTAL	5,793	6,630	7,206	1,972	1,946	2,099	7,765	8,576	9,305

*Includes units which are manufactured overseas by other companies and which are imported and sold by General Motors and affiliates.

more automobiles than any other manufacturer in the world. Of the twenty top-selling cars in the United States, nine were GM nameplates—more than twice the number of any other manufacturer. Of the 15 top-selling trucks, five were GM nameplates—also more than any other manufacturer.

As a result of the significant progress made in restructuring the overseas operations, overseas net income totaled $1,876.3 million, principally from automotive operations. The North American operating groups earned a nominal profit during a transitional period of lower volume and a number of non-recurring charges, including up-front salaried employe separation costs.

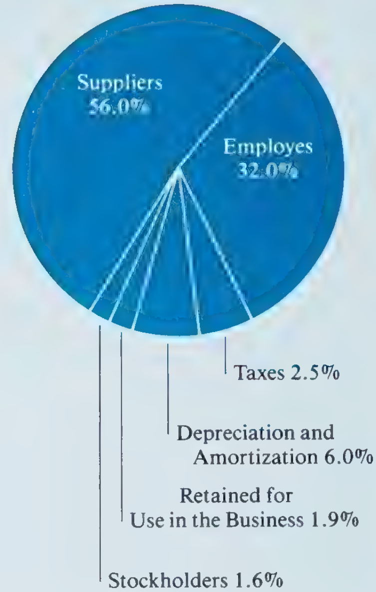
Programs To Improve Market Position

The Corporation is targeting improvement in its market share and competitive position in North America through a major program of new vehicle introductions. In the 1988 and 1989 model years, GM plans to offer 11 all-new vehicles, as well as 21 vehicles with major redesigns. This product program activity represents the largest number of new vehicle introductions during any two-year period in the Corporation's history.

The first models in GM's all-new line of mid-size cars were introduced in October 1987. These cars made only a small contribution to our product mix in 1987 but are expected to have a greater impact in 1988. In addition, each GM car division has redefined its marketing approach, and future new car introductions by each division will help reinforce a distinctive personality and focus for that division.

The Corporation is also seeking to strengthen its sales through an aggressive pricing strategy. The average

WHAT HAPPENED TO THE REVENUE GM RECEIVED DURING 1987



RETAIL UNIT SALES OF CARS AND TRUCKS WORLDWIDE

(Units in Thousands)	1987	1986	Change from '86
Worldwide Industry	42,745	41,137	1,608
GM	7,783	8,820	(1,037)
As % of worldwide	18.2%	21.4%	(3.2%)
United States:			
Industry	15,197	16,336	(1,139)
GM: cars	3,728	4,693	(965)
trucks	1,545	1,593	(48)
total	5,273	6,286	(1,013)
As % of U.S.	34.7%	38.5%	(3.8%)
Foreign sponsored	4,232	4,243	(11)
As % of U.S.	27.8%	26.0%	1.8%
Canada:			
Industry	1,529	1,515	14
GM	537	554	(17)
As % of Canada	35.1%	36.5%	(1.4%)
International:			
Industry	26,019	23,286	2,733
GM: cars	1,743	1,721	22
trucks	230	259	(29)
total	1,973	1,980	(7)
As % of international	7.6%	8.4%	(0.8%)
GM cars & trucks:			
Europe	1,397	1,370	27
West Germany	463	424	39
United Kingdom	308	329	(21)
As % of Europe	9.9%	10.4%	(0.5%)
Latin America	288	343	(55)
Brazil	149	205	(56)
Mexico	41	32	9
Venezuela	38	54	(16)
Africa	33	45	(12)
Middle East	46	46	—
Asia/Pacific	209	176	33
Australia	82	96	(14)

price of a 1988 GM car in the U.S., including the cost of product improvements to meet government regulations, is only 1.9% higher than comparably equipped 1987 models—the Corporation's lowest overall price increase in more than a decade. Over 50 percent of GM's 1988 models, when equipped with popular option packages, are priced below their comparably equipped 1987 counterparts. This approach should enhance GM's competitiveness, particularly for intermediate and subcompact products.

Cost Reduction Programs Take Effect

Together with increased product introductions and improved product quality, cost reductions are a cornerstone of the Corporation's strategic program to increase earnings. GM made significant progress in 1987 toward its goal of achieving permanent cost reductions totaling $10 billion annually by year-end 1990. Major areas of targeted savings include: salaried headcount reductions, $2 billion; reduced staff expense, $200 million; divestitures, restructurings and joint ventures, $200 million; plant closings, $500 million; lower vertical integration, $500 million; and productivity related savings, $6.6 billion.

Cost reductions totaling $3.7 billion were implemented during 1987, the first year of the program. Additional savings of nearly $4 billion are anticipated in 1988.

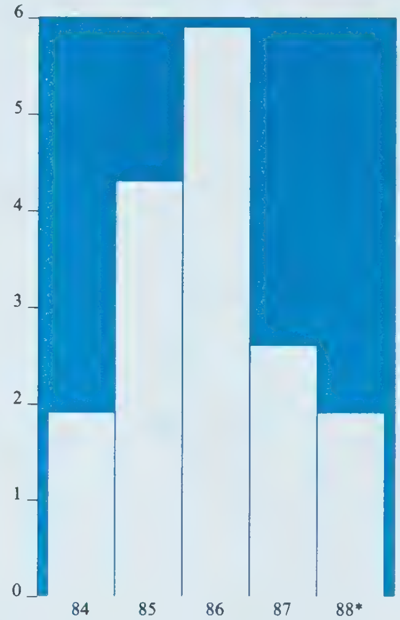
Reductions in salaried employment levels ran ahead of expectations in 1987. Since mid-1986, GM's salaried rolls have been reduced by over 36,000, or over 90% of the way toward an objective of 40,000 by the end of 1988.

Cost of sales and other operating charges as a percent of sales and revenues was 85.7% in 1987, 86.8% in 1986 and 84.4% in 1985.

Record GMAC Results

General Motors Acceptance Corporation achieved record earnings and continued to expand its financial service

AVERAGE PRICE INCREASES
(percent, by model year)



*Model year 1988 includes 0.4 percentage points for product improvements. Prior-year increases reflect economics only.

GENERAL MOTORS EMPLOYMENT, PAYROLLS AND BENEFITS

	1987	1986	1985
Average worldwide employment			
GM (excluding units listed below)	673,100	734,200	760,600
GMAC and its subsidiaries	18,200	16,900	14,700
EDS	44,600	44,900	35,300
Hughes Aircraft Company (effective 12/31/85)	77,500	80,800	–
Average number of employes	813,400	876,800	810,600
Worldwide payrolls (in millions)	$27,145.7	$28,146.1	$25,639.1
Average U.S. hourly employment*	344,700	378,900	397,000
U.S. hourly payrolls* (in millions)	$12,841.5	$14,087.8	$15,300.0
Average labor cost per hour worked-U.S. hourly*	$25.90	$24.00	$23.40
North American employment at December 31 (excluding GMAC, EDS, Hughes and their subsidiaries)			
Salaried	106,500	122,200	127,100
Hourly	366,000	417,300	441,800
Total	472,500	539,500	568,900
Payments for benefit plans-U.S. (in billions)			
Pensions	$1.4	$1.5	$2.4
Health-care	2.9	2.2	2.1
Other	1.8	1.2	1.2
Total	$6.1	$4.9	$5.7
Equal employment opportunity*:			
Minorities as % of GM U.S. work force	21%	21%	21%
White-collar	14%	13%	13%
Blue-collar	23%	23%	23%
Women as % of GM U.S. work force	19%	20%	20%
White-collar	27%	25%	25%
Blue-collar	17%	18%	18%

*Excludes Hughes and EDS.

business in 1987. Net income increased 22.6% to $1.5 billion, due primarily to a higher level of average earning assets, a revision to the rate of depreciation for vehicles leased under the Direct Lease Plan and the lower U.S. Federal income tax rate in 1987. Narrower interest margins between gross revenue and the cost of funds partially offset the effect of these favorable items. GMAC's net income has nearly doubled since 1984.

Earnings included $254.7 million, or $0.81 per share of General Motors $1-2/3 par value common stock, resulting from revisions in the depreciation rates applied to automobiles on retail leases to more accurately reflect GMAC's current experience with the residual values of the automobiles.

Gross revenue increased 2.5% in 1987 to a record $13.4 billion. In addition to being a leader in car and truck financing and leasing, GMAC conducts a major multi-line insurance business and is one of the largest mortgage servicers in the United States.

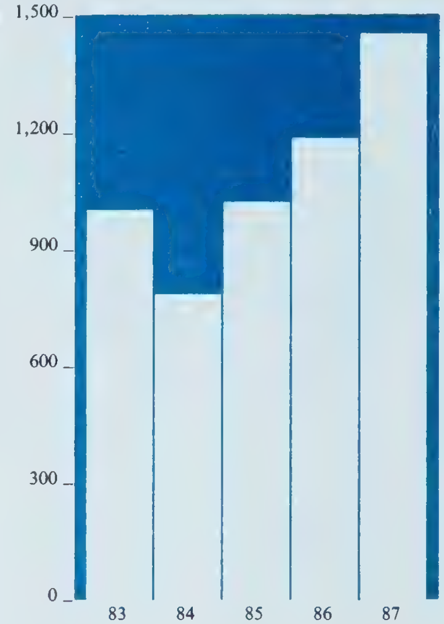
Record EDS Results

Electronic Data Systems Corporation (EDS) had another successful year. EDS continued to make significant progress in a range of automation projects in the factories and offices of GM. EDS is a leader in the design, operation and integration of data processing and communications systems.

EDS separate consolidated net income increased 23.8% to $323.1 million, while sales to sources outside GM and its affiliates rose 27.9% to $1,440.5 million. Earnings per share attributable to Class E common stock were $2.65, up from $2.13 in 1986 and $1.57 in 1985, and are based on the Available Separate Consolidated Net Income of EDS (described in Note 10 to the Financial Statements).

EDS financial statements do not include the $2,179.5 million cost to GM of EDS customer contracts, computer software programs and other intangible assets arising from the acquisition of EDS by GM. This cost, plus the $343.2 million cost of contingent notes purchased in December 1986, less certain income tax benefits, is being amortized by GM over the estimated useful lives of the assets acquired. Such amortization was $364.3 million in 1987, $362.4 million in 1986 and $346.3 million in 1985. For the purpose of determining

GMAC NET INCOME
(dollars in millions)



ELECTRONIC DATA SYSTEMS OPERATIONS

Summary Financial Data

(Dollars in Millions Except Per Share Amounts)	Year Ended December 31, 1987	1986	1985
Revenues:			
Systems and other contracts:			
GM and affiliates	$2,883.3	$3,195.1	$2,428.1
Other customers	1,440.5	1,125.9	978.3
Interest and other income	112.1	58.4	38.3
Total Revenues	4,435.9	4,379.4	3,444.7
Costs and Expenses	3,905.8	3,916.3	3,082.2
Income Taxes	207.0	202.2	172.7
Separate Consolidated Net Income	$ 323.1	$ 260.9	$ 189.8
Available Separate Consolidated Net Income*	$ 139.1	$ 136.2	$ 103.8
Average number of shares of Class E common stock outstanding (in millions)	52.6	63.8	66.5
Earnings Attributable to Class E Common Stock on a Per Share Basis	$2.65	$2.13	$1.57
Cash dividends per share of Class E common stock	$0.52	$0.40	$0.195

*Separate consolidated net income of EDS multiplied by a fraction, the numerator of which is the weighted average number of shares of Class E common stock outstanding and the denominator of which is currently 121.9 million shares. Available Separate Consolidated Net Income is determined quarterly.

earnings per share and amounts available for dividends on common stocks, such amortization is charged against earnings attributable to $1-2/3 par value common stock. The effect of EDS operations on the earnings attributable to $1-2/3 par value common stock was a net charge of $257.0 million in 1987, $260.2 million in 1986 and $241.0 million in 1985, consisting of the previously described amortization less related income tax benefits, profit on intercompany transactions and the earnings of EDS attributable to $1-2/3 par value common stock.

Record GMHE Results

Earnings of GM Hughes Electronics Corporation (GMHE) rose 12.8% to $669.9 million, and revenues increased 0.4% to $10,481.0 million. Earnings per share attributable to Class H common stock were $1.67 (post-split—see Note below), up from $1.48 (post-split) in 1986, and are based on the Available Separate Consolidated Net Income of GMHE (see Note 10 to the Financial Statements). Earnings in 1986 included the effect of adoption of SFAS No. 87 of $0.17 per share (post-split) of Class H common stock. Because the acquisition of Hughes was made effective December 31, 1985, the Statement of Consolidated Income includes the operations of Hughes beginning January 1, 1986.

During 1987, GMHE maintained its position as the leading supplier of electronic systems for the nation's defense. In addition, GMHE continued to expand its sales to commercial customers, including automobile electronics, and broadened its capabilities in commercial satellite equipment by acquiring the nation's leader in VSAT (very small aperture terminal) communications systems.

For the purpose of determining earnings per share and amounts available for dividends on common stocks, the amortization of intangible assets arising

GM HUGHES ELECTRONICS OPERATIONS

Summary Financial Data

(Dollars in Millions Except Per Share Amounts)	Year Ended December 31, 1987	Year Ended December 31, 1986	Pro Forma Year Ended December 31, 1985
Revenues:			
Net sales:			
GM and affiliates	$ 3,134.4	$ 3,158.7	$3,054.2
Other customers	7,273.2	7,212.8	6,414.9
Other income-net	73.4	68.5	34.7
Total Revenues	10,481.0	10,440.0	9,503.8
Costs and Expenses	9,581.8	9,628.8	8,962.0
Income Taxes	378.1	366.1	202.0
Separate Consolidated Net Income	521.1	445.1	339.8
Available Separate Consolidated Net Income:			
Adjustments to exclude the effect of purchase accounting*	148.8	148.8	148.8
Earnings of GMHE, Excluding Purchase Accounting Adjustments	$ 669.9	$ 593.9	$ 488.6
Available Separate Consolidated Net Income**	$ 219.2	$ 190.0	$ 160.0
Average number of shares of Class H common stock outstanding (in millions)***	130.8	127.8	131.0
Earnings Attributable to Class H Common Stock on a Per Share Basis***	$1.67	$1.48	$1.22
Cash dividends per share of Class H common stock***	$0.36	$0.30	

*Amortization of intangible assets arising from the acquisition of Hughes.

**Earnings of GMHE, excluding purchase accounting adjustments, multiplied by a fraction, the numerator of which is the weighted average number of shares of Class H common stock outstanding and the denominator of which is currently 400 million shares on a post-split basis (see Note 15 to the Financial Statements). Available Separate Consolidated Net Income is determined quarterly.

***Average number of shares and per share data have been adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend declared February 1, 1988, payable to Class H stockholders on March 10, 1988.

from the acquisition of Hughes is charged against earnings attributable to $1-2/3 par value common stock. The effect of Hughes operations on the earnings attributable to $1-2/3 par value common stock was a net charge of $55.3 million in 1987 and $95.0 million in 1986, consisting of amortization of the intangible assets, profit on intercompany transactions and the earnings of GMHE attributable to $1-2/3 par value common stock.

Funds Flow Remains Strong

General Motors' funds provided by operations (as reported in detail on page 24) totaled $9,832.3 million in 1987, compared with $8,975.5 million in 1986 and $9,735.8 million in 1985, and met the majority of the Corporation's cash needs. Cash flow is expected to remain strong in 1988, reflecting continuing profitability and reduced capital spending.

Cash and marketable securities at December 31, 1987 amounted to $4,706.4 million compared with $4,018.8 million a year earlier and $5,114.4 million at the end of 1985. The 1987 increase was due primarily to an excess of funds provided by current operations and issuances of preference and common stocks over the amount of cash dividends to stockholders and expenditures for real estate, plants, equipment and special tools. The increase in trade receivables reflects GM's assumption of dealer financing, financed in part by the increase in the payable to GMAC.

GM's liquidity can be measured by its current ratio (current assets to current liabilities). For the years ended December 31, 1987, 1986 and 1985, the current ratio was 1.56, 1.17 and 1.09, respectively.

Capital Spending Reduced

General Motors has invested heavily during the past eight years to modernize production facilities and implement new technology, with a major focus on the installation of sophisticated new manufacturing equipment. A large part of GM's capital spending program has resulted in new stamping and die-making facilities, the most modern in the world, which permit more rapid production changeovers.

GM's worldwide expenditures for real estate, plants and equipment were $4.7 billion in 1987 compared with $8.1 billion in 1986 and $8.0 billion, including $1.9 billion relating to the Hughes acquisition, in 1985. Of the 1987 expenditures, approximately 79% were in the United States (82% in 1986 and 84% in 1985), 10% in Canada (8% in 1986 and 5% in 1985) and 11% overseas (10% in 1986 and 11% in 1985).

Worldwide expenditures for special tools totaled $2.3 billion in 1987, compared with $3.6 billion in 1986 and $3.1 billion in 1985, bringing GM's total capital expenditures for 1987 to $7.0 billion.

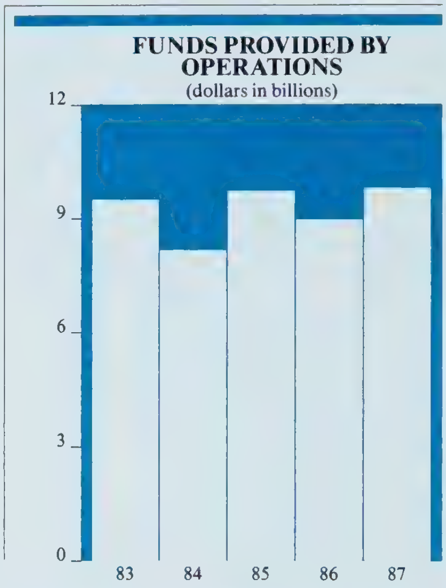
Having completed the major phase of its plant modernization program, the Corporation is now entering a period of reduced capital outlays. Commitments for capital spending, including special tools, totaled $3.2 billion at December 31, 1987. Capital expenditures are expected to approximate $7 billion in 1988, to be financed primarily from funds provided by operations.

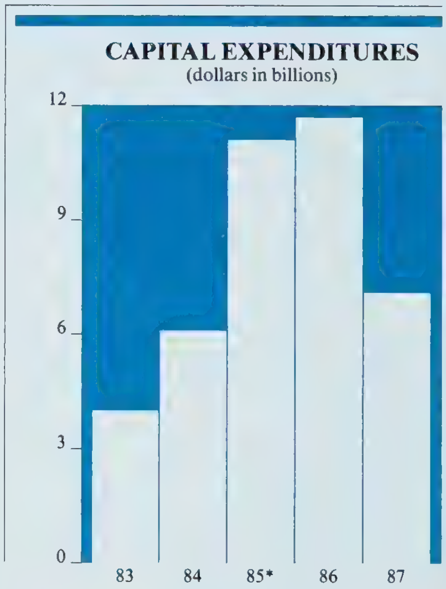
Long-Term Debt Changes

Long-term debt of General Motors and its consolidated subsidiaries decreased $58.0 million during 1987 to $3,949.3 million at year-end. GM's ratio of long-term debt to the total of long-term debt and stockholders' equity was 10.6% at the end of 1987 compared with 11.6% a year earlier. The ratio of long-term debt and short-term loans payable to the total of this debt and stockholders' equity was 17.0% at year-end 1987 compared with 18.0% at December 31, 1986.

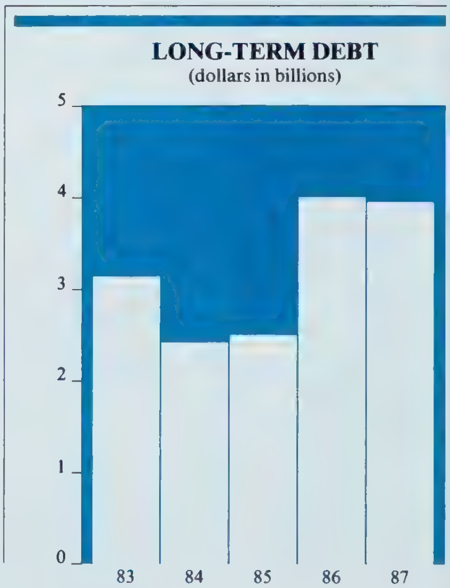
In 1986, the long-term debt of GM and its consolidated subsidiaries increased by $1,507.1 million, reflecting an increase of $1,782.8 million in debt of the Corporation partially offset by a decrease of $275.7 million in debt of consolidated subsidiaries. The Corporation issued $1.2 billion of notes and debentures in the United States and approximately $502 million of notes and bonds overseas in 1986.

The rating on senior long-term debt of GM and GMAC was reduced in December 1987 to AA– by Standard & Poor's and in January 1988 to Aa3 by Moody's. GMAC commercial paper retained the highest possible rating. General Motors is one of the most financially sound organizations in the world and continues to maintain a very strong balance sheet at both GM and GMAC which provides substantial





*Including Hughes acquisition $1.9 billion.



financial flexibility for the Corporation.

At year-end, the Corporation and its consolidated subsidiaries had unused short-term credit lines totaling approximately $5.7 billion and unused long-term credit agreements of approximately $1.7 billion.

For marketing and financial reasons, in 1986 GM assumed part of the dealer inventory financing previously provided by GMAC. GMAC services these receivables for General Motors for a fee. To help support these receivables, GMAC entered into a five-year agreement to lend GM up to $12 billion at floating market interest rates. In July 1987, the maximum was increased to $17 billion. At December 31, 1987, $13,676 million of such loans were outstanding at a rate of 8.75%, compared with $5,200 million at a rate of 7.4% a year earlier. Interest and fees paid by GM to GMAC totaled $741.1 million in 1987 and $83.7 million in 1986.

Pension Plan Activity

Substantially all full-time employes of the Corporation and its subsidiaries are covered by defined benefit pension plans.

In September 1987, General Motors made a special, unrequired contribution of $1,040 million of GM preference stocks to its U.S. pension plans to take advantage of tax deductions. The prepaid contribution had no impact on earnings and served to conserve cash.

Stock Repurchase Program Accelerated

The Corporation accelerated its stock repurchase program in October 1987 following the sharp price decline of the stock market. This program is aimed at enhancing shareholder value.

Under this plan, the Corporation intends to use a portion of its cash flow to repurchase up to 20% of its $1-2/3 par value common stock by the end of 1990 and as many as five million shares of Class E common and ten million shares (post-split) of Class H common stocks through open market repurchases. In 1987, stock repurchase program purchases totaled 7.3 million $1-2/3 par value common shares, 2.9 million Class E common shares and 1.1 million (post-split) Class H common shares.

Including these stock repurchase program purchases, the Corporation purchased a total of 8,049,495 $1-2/3 par value common shares at an average price of $73.12 per share, 3,381,258 Class E common shares at an average price of $30.11 per share and 3,450,358 Class H common shares (post-split) at an average price of $22.45 per share (post-split) in 1987. Such purchases above the stock repurchase program requirements offset the issuance of new $1-2/3 par value common shares for the GM Incentive Program and the General Motors Dividend Reinvestment Plan and satisfied Class E and Class H common share employe benefit plan requirements.

Increases in $1-2/3 par value common stock in 1986 and 1985 reflect issuances of new stock for the GM Incentive Program and the General Motors Dividend Reinvestment Plan, partially offset in 1986 by share repurchases.

The decrease in Class E common stock in 1986 reflected primarily the reacquisition of stock on the open market for employe benefit plans and from certain employes and former stockholders of EDS as discussed in Note 16 to the Financial Statements. The issuance of Class E common stock in 1985 reflected primarily a two-for-one stock split in the form of a 100% stock dividend distributed on June 10, 1985, a public offering in February 1985 and EDS Stock Incentive Plan grants.

Class H common stock was issued in 1985 for the acquisition of Hughes, as described more fully in Note 1 to the Financial Statements, and for the dividend of one Class H common share for every 20 shares of $1-2/3 par value common stock, distributed on December 30, 1985.

The decrease in preferred stocks in 1986 and 1985 reflects the Corporation's long-term program to reacquire such stock when it is considered economically attractive to GM. The difference between repurchase prices and the stated value of $100 per share has been credited to capital surplus.

Dividend Policy Unchanged

The Corporation's policy is to distribute dividends on $1-2/3 par value common stock based on the outlook and indicated capital needs of the business. With respect to Class E and Class H common shares, the Corporation's current policy is to pay cash dividends approximately equal to 25% of the Available Separate Consolidated Net Income of EDS and GMHE, respectively, for the prior year.

Book Value Increases

Book value per share of $1-2/3 par value common stock increased to $89.09 at the end of 1987 from $83.09 a year earlier and $79.13 at the end of 1985. Book value per share of Class E common stock increased to $22.83 from $21.28 and $20.34, while book value per share of Class H common stock, on a post-split basis, was $22.30 at year-end, up from $20.79 at the end of 1986 and $19.88 a year earlier.

Accounting Standards

In October 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 94, Consolidation of All Majority Owned Subsidiaries, and in December 1987, SFAS No. 96, Accounting for Income Taxes. SFAS No. 94 is effective in 1988 and No. 96 in 1989, although earlier adoption is encouraged. GM has not yet adopted these Statements. SFAS No. 94 will require the full, line-by-line consolidation of GMAC, GM's wholly owned finance subsidiary, with GM, rather than the single-line (equity-method) basis presently used. There will be no effect on net income or stockholders' equity although total assets and liabilities will reflect significant increases. The latter will cause wide distortions in traditional ratios which will be explained. The effect of the adoption of SFAS No. 96 will be favorable, but in an amount that we are unable to quantify at this time.

Consolidated Financial Statements

Responsibilities for Financial Statements

The following financial statements of General Motors Corporation and consolidated subsidiaries were prepared by management which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on judgments of management. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

Management is further responsible for maintaining a system of internal accounting controls, designed to provide reasonable assurance that the books and records reflect the transactions of the companies and that its established policies and procedures are carefully followed. From a stockholder's point of view, perhaps the most important feature in the system of control is that it is continually reviewed for its effectiveness and is augmented by written policies and guidelines, the careful selection and training of qualified personnel, and a strong program of internal audit.

Deloitte Haskins & Sells, independent certified public accountants, are engaged to examine the consolidated financial statements of General Motors Corporation and its subsidiaries and issue reports thereon. Their examination is conducted in accordance with generally accepted auditing standards which comprehend a review of internal accounting controls and a test of transactions. The Accountants' Report appears on page 36.

The Board of Directors, through the Audit Committee and its Common Stock Classification Oversight Subcommittee (both composed entirely of non-employe Directors), is responsible for assuring that management fulfills its responsibilities in the preparation of the financial statements. The Committee selects the independent public accountants annually in advance of the Annual Meeting of Stockholders and submits the selection for ratification at the Meeting. In addition, the Committee reviews the scope of the audits and the accounting principles being applied in financial reporting. The independent public accountants, representatives of management, and the internal auditors meet regularly (separately and jointly) with the Committee to review the activities of each and to ensure that each is properly discharging its responsibilities. To ensure complete independence, Deloitte Haskins & Sells have full and free access to meet with the Committee, without management representatives present, to discuss the results of their examination, the adequacy of internal accounting controls, and the quality of the financial reporting.

Roger B. Smith — Chairman

F. Alan Smith — Chief Financial Officer

Statement of Consolidated Income

For the Years Ended December 31, 1987, 1986 and 1985 (Dollars in Millions Except Per Share Amounts)	1987	1986	1985
Net Sales and Revenues (Notes 1 and 2)			
Manufactured products	$100,118.5	$101,506.9	$95,268.4
Computer systems services	1,663.4	1,306.8	1,103.3
Total Net Sales and Revenues	101,781.9	102,813.7	96,371.7
Costs and Expenses			
Cost of sales and other operating charges, exclusive of items below (Note 6)	87,204.4	89,198.3	81,326.6
Selling, general and administrative expenses	5,896.1	5,590.8	4,622.2
Depreciation of real estate, plants and equipment (Note 1)	3,417.5	3,499.6	2,777.9
Amortization of special tools (Note 1)	2,155.5	2,596.1	3,083.3
Amortization of intangible assets (Note 1)	539.0	498.0	347.3
Total Costs and Expenses	99,212.5	101,382.8	92,157.3
Operating Income	2,569.4	1,430.9	4,214.4
Other income less income deductions—net (Note 7)	1,066.7	983.1	1,299.2
Interest expense (Notes 1 and 11)	(1,630.7)	(953.7)	(892.3)
Income before Income Taxes	2,005.4	1,460.3	4,621.3
United States, foreign and other income taxes (credit) (Note 9)	(59.9)	(300.3)	1,630.3
Income after Income Taxes	2,065.3	1,760.6	2,991.0
Equity in earnings of nonconsolidated subsidiaries and associates (dividends received amounted to $917.1 in 1987, $1.7 in 1986 and $100.5 in 1985)	1,485.6	1,184.1	1,008.0
Net Income	3,550.9	2,944.7	3,999.0
Dividends on preferred and preference stocks (Note 16)	13.7	10.8	11.6
Earnings on Common Stocks	$ 3,537.2	$ 2,933.9	$ 3,987.4
Earnings attributable to:			
$1-2/3 par value common stock	$ 3,178.9	$ 2,607.7	$ 3,883.6
Class E common stock	$ 139.1	$ 136.2	$ 103.8
Class H common stock (issued in December 1985)	$ 219.2	$ 190.0	—
Average number of shares of common stocks outstanding (in millions):			
$1-2/3 par value common	315.8	317.6	316.3
Class E common	52.6	63.8	66.5
Class H common (issued in December 1985) on a post-split basis (Note 15)	130.8	127.8	—
Earnings Per Share Attributable to (Note 10):			
$1-2/3 par value common stock	$10.06	$8.21	$12.28
Class E common stock	$2.65	$2.13	$1.57
Class H common stock (issued in December 1985) on a post-split basis (Note 15)	$1.67	$1.48	—

Reference should be made to notes on pages 25 through 36. Certain amounts have been reclassified to conform with 1987 classifications.

Consolidated Balance Sheet

December 31, 1987 and 1986 (Dollars in Millions Except Per Share Amounts)	1987	1986
ASSETS		
Current Assets		
Cash	$ 431.9	$ 150.7
United States Government and other marketable securities and time deposits—at cost, which approximates market of $4,275.6 and $3,881.0	4,274.5	3,868.1
Total cash and marketable securities	4,706.4	4,018.8
Accounts and notes receivable:		
Trade receivables (less allowances)	19,082.0	9,697.3
Nonconsolidated subsidiaries and associates (including GMAC and its subsidiaries—Note 11—$2,742.4 and $1,387.1)	3,112.1	1,607.0
Inventories (less allowances) (Note 1)	7,939.7	7,235.1
Contracts in process (less advances and progress payments of $1,981.2 and $2,345.7) (Note 1)	1,756.0	1,590.6
Prepaid expenses	3,175.3	2,619.6
Total Current Assets	39,771.5	26,768.4
Equity in Net Assets of Nonconsolidated Subsidiaries and Associates (principally GMAC and its subsidiaries—Note 11)	7,977.0	7,232.3
Other Investments and Miscellaneous Assets—at cost (less allowances)	2,446.6	2,498.7
Property (Note 1)		
Real estate, plants and equipment—at cost (Note 12)	59,809.4	55,240.7
Less accumulated depreciation (Note 12)	30,976.0	27,658.0
Net real estate, plants and equipment	28,833.4	27,582.7
Special tools—at cost (less amortization)	3,207.0	2,793.7
Total Property	32,040.4	30,376.4
Intangible Assets—at cost (less amortization) (Note 1)	5,186.4	5,717.2
Total Assets	$87,421.9	$72,593.0

LIABILITIES AND STOCKHOLDERS' EQUITY	1987	1986
Current Liabilities		
Accounts payable (principally trade)	$ 7,087.8	$ 6,368.0
Loans payable (Note 14)	2,878.7	2,730.1
United States, foreign and other income taxes payable (Note 9)	376.0	333.1
Accrued liabilities and deferred income taxes (Note 13)	15,185.7	13,416.9
Total Current Liabilities	25,528.2	22,848.1
Long-Term Debt (Note 14)	3,949.3	4,007.3
Payable to GMAC (Note 11)	13,981.0	5,500.0
Capitalized Leases (including GMAC and its subsidiaries—$17.7 and $35.8)	364.1	318.0
Other Liabilities	8,229.4	6,991.7
Deferred Credits (including investment tax credits—$1,399.8 and $1,505.3)	2,144.8	2,249.9
Stockholders' Equity (Notes 3, 4, 5, 15 and 16)		
Preferred stocks ($5.00 series, $153.0; $3.75 series, $81.4)	234.4	234.4
Preference stocks (E $0.10 series, $1.0; H $0.10 series, $1.0)	2.0	—
Common stocks:		
$1-2/3 par value common (issued, 312,654,018 and 319,383,830 shares)	521.1	532.3
Class E common (issued, 51,601,687 and 53,507,119 shares)	5.2	5.4
Class H common (issued, 65,434,936 and 66,585,332 shares)	6.5	6.6
Capital surplus (principally additional paid-in capital)	6,764.6	6,332.6
Net income retained for use in the business	25,771.7	23,888.7
Subtotal	33,305.5	31,000.0
Accumulated foreign currency translation and other adjustments (Note 1)	(80.4)	(322.0)
Total Stockholders' Equity	33,225.1	30,678.0
Total Liabilities and Stockholders' Equity	$87,421.9	$72,593.0

Reference should be made to notes on pages 25 through 36. Certain amounts for 1986 have been reclassified to conform with 1987 classifications.

Statement of Changes in Consolidated Financial Position

For the Years Ended December 31, 1987, 1986 and 1985 (Dollars in Millions)	1987	1986	1985
Source of Funds			
Net income	$ 3,550.9	$ 2,944.7	$ 3,999.0
Depreciation of real estate, plants and equipment	3,417.5	3,499.6	2,777.9
Amortization of special tools	2,155.5	2,596.1	3,083.3
Amortization of intangible assets (Note 1)	539.0	498.0	347.3
Deferred income taxes, undistributed earnings of nonconsolidated subsidiaries and associates, etc.—net	169.4	(562.9)	(471.7)
Total funds provided by current operations	9,832.3	8,975.5	9,735.8
Increase in long-term debt	1,580.1	2,885.3	965.9
Increase in payable to GMAC	8,481.0	5,200.0	—
Issuances of preference and common stocks (Note 16)	1,152.3	327.6	2,883.3
Other—net	609.9	393.8	331.4
Total	21,655.6	17,782.2	13,916.4
Use of Funds			
Cash dividends paid to stockholders (Note 16)	1,667.9	1,663.1	1,616.9
Increase (Decrease) in other working capital items	9,635.4	3,058.4	(866.2)
Expenditures for real estate, plants and equipment:			
Operations	4,711.2	8,086.3	6,099.2
Hughes acquisition	—	—	1,948.7
Expenditures for special tools	2,346.2	3,625.3	3,075.0
Intangible assets arising from acquisitions (Note 1)	8.2	270.0	4,354.0
Decrease in long-term debt	1,638.1	1,378.2	883.1
Repurchases of common and preferred stocks, less shares reissued	729.8	679.4	127.8
Investments in nonconsolidated subsidiaries and associates	231.2	117.1	130.9
Total	20,968.0	18,877.8	17,369.4
Increase (Decrease) in cash and marketable securities	687.6	(1,095.6)	(3,453.0)
Cash and marketable securities at beginning of the year	4,018.8	5,114.4	8,567.4
Cash and marketable securities at end of the year	$ 4,706.4	$ 4,018.8	$ 5,114.4
Increase (Decrease) in Other Working Capital Items			
Accounts and notes receivable:			
Trade receivables	$ 9,384.7	$ 6,542.2	($ 235.8)
Nonconsolidated subsidiaries and associates	1,505.1	(2,519.9)	159.9
Inventories	704.6	(1,034.6)	910.0
Contracts in process	165.4	136.8	1,453.8
Prepaid expenses	555.7	483.5	1,707.8
Accounts payable	(719.8)	954.2	(2,578.7)
Loans payable	(148.6)	(74.9)	430.8
United States, foreign and other income taxes payable	(42.9)	(90.0)	375.8
Accrued liabilities and deferred income taxes	(1,768.8)	(1,338.9)	(3,089.8)
Increase (Decrease) in other working capital items	$ 9,635.4	$ 3,058.4	($ 866.2)

Reference should be made to notes on pages 25 through 36.

NOTE 1. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all domestic and foreign subsidiaries which are more than 50% owned and engaged principally in manufacturing or wholesale marketing of General Motors products as well as defense, electronics and computer services. General Motors' share of earnings or losses of nonconsolidated subsidiaries and of associates in which at least 20% of the voting securities is owned is included in consolidated income under the equity method of accounting.

Revenue Recognition

Sales are generally recorded by the Corporation when products are shipped to independent dealers. Provisions for normal dealer sales incentives and returns and allowances are made at the time of sale. Costs related to special sales incentive programs are recognized as sales deductions when these incentive programs are announced.

Certain sales under long-term contracts, primarily in the defense business, are recorded using the percentage-of-completion (cost-to-cost) method of accounting. Under this method, sales are recorded equivalent to costs incurred plus a portion of the profit expected to be realized on the contract, determined based on the ratio of costs incurred to estimated total costs at completion. Profits expected to be realized on contracts are based on the Corporation's estimates of total sales value and cost at completion. These estimates are reviewed and revised periodically throughout the lives of the contracts, and adjustments to profits resulting from such revisions are recorded in the accounting period in which the revisions are made. Estimated losses on contracts are recorded in the period in which they are identified.

Inventories

Inventories are stated generally at cost, which is not in excess of market. The cost of substantially all domestic inventories other than the inventories of GM Hughes Electronics Corporation (GMHE) is determined by the last-in, first-out (LIFO) method. If the first-in, first-out (FIFO) method of inventory valuation had been used for inventories valued at LIFO cost, such inventories would have been $2,359.9 million higher at December 31, 1987 and $2,203.8 million higher at December 31, 1986. As a result of decreases in LIFO U.S. inventories, certain LIFO inventory quantities carried at lower costs prevailing in prior years, as compared with the costs of current purchases, were liquidated in 1986 and 1985. These inventory adjustments favorably affected income before income taxes by approximately $38.2 million in 1986 and $20.9 million in 1985. The cost of inventories outside the United States and of GMHE is determined generally by FIFO or average cost methods.

Major Classes of Inventories (Dollars in Millions)	1987	1986
Productive material, work in process and supplies	$3,876.0	$4,042.5
Finished product, service parts, etc.	4,063.7	3,192.6
Total	$7,939.7	$7,235.1

Contracts in Process

Contracts in process are stated at costs incurred plus estimated profit less amounts billed to customers and advances and progress payments received. Engineering, tooling, manufacturing and applicable overhead costs, including administrative, research and development and selling expenses, are charged to cost of sales when they are incurred.
In accordance with defense industry practice, 1987 amounts include approximately $205.4 million which are not expected to be realized within one year. Under certain contracts with the United States Government, progress payments are received based on costs incurred on the respective contracts. Title to the inventories relating to such contracts (included in contracts in process) vests with the United States Government.

Depreciation and Amortization

Depreciation is provided based on estimated useful lives of groups of property generally using accelerated methods, which accumulate depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives.

Expenditures for special tools are amortized over their estimated useful lives. Amortization is applied directly to the asset account. Replacement of special tools for reasons other than changes in products is charged directly to cost of sales.

In the third quarter of 1987, the Corporation revised the estimated service lives of its plants and equipment and special tools retroactive to January 1, 1987. These revisions, which were based on 1987 studies of actual useful lives and periods of use, recognized current estimates of service lives of the assets and had the effect of reducing 1987 depreciation and amortization charges by $1,236.6 million or $2.55 per share of $1-2/3 par value common stock.

Income Taxes

Investment tax credits are generally deferred and amortized over the lives of the related assets (the "deferral method") for General Motors Corporation and Electronic Data Systems Corporation (EDS). GMHE recognizes investment tax credits as a reduction of income tax expense in the year that the assets which give rise to the credits are placed in service (the "flow-through method").

The tax effects of timing differences between pretax accounting income and taxable income (principally related to depreciation, sales and product allowances, vehicle instalment sales, benefit plans expense and profits on long-term contracts) are deferred. Provisions are made for estimated United States and foreign taxes, less available tax credits and deductions, which may be incurred on remittance of the Corporation's share of subsidiaries' undistributed earnings less those deemed to be permanently reinvested.

Pension Program

As described in Note 8, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 87, Employers' Accounting for Pensions, effective in 1986 for its U.S. and Canadian defined benefit pension plans and certain foreign pension plans effective January 1, 1987. This accounting standard will be adopted for other foreign pension plans by 1989.

Product Related Expenses

Expenditures for advertising and sales promotion and for other product related expenses are charged to costs and expenses as incurred; provisions for estimated costs related to product warranty are made at the time the products are sold. Expenditures for research and development are charged to expenses as incurred and amounted to $4,361.2 million in 1987, $4,157.7 million in 1986 and $3,625.2 million in 1985.

Interest Cost

Total interest cost incurred in 1987, 1986 and 1985 amounted to $1,728.2 million, $1,137.0 million and $944.9 million, respectively, of which $97.5 million, $183.3 million and $52.6 million, related to certain real estate, plants and equipment acquired in those years, was capitalized.

Foreign Currency Translation

Exchange and translation gains (losses) included in net income in 1987, 1986 and 1985 amounted to ($9.6) million, $102.2 million and $54.1 million, respectively.

Acquisitions and Intangible Assets

Effective December 31, 1985, the Corporation acquired Hughes Aircraft Company (Hughes) and its subsidiaries for $2.7 billion in cash and cash equivalents and 50 million shares (100 million shares on a post-split basis) of General Motors Class H common stock having an estimated total value of $2,561.9 million. In addition, the Corporation has contingently agreed to pay the Howard Hughes Medical Institute

(continued)

NOTE 1. (concluded)

(Institute) on December 31, 1989, for each share of Class H common stock issued in connection with the acquisition and held by the Institute on that date, the amount, if any, by which the market value per share of Class H common stock is below $30 (post-split); provided that such payment shall not be greater than $20 (post-split) per share. Any payment required under this contingency provision would be charged to capital surplus.

The acquisition was accounted for as a purchase. The policy of the Department of Defense generally does not permit the recoverability through contracts with the U.S. Government of any increase in the book values of the net assets of a defense contractor as a result of a business combination accounted for as a purchase. Accordingly, the amounts assigned to the tangible net assets of Hughes at the date of acquisition did not differ materially from the historical net book values. The purchase price exceeded the net book value of Hughes by $4,244.7 million, which was assigned as follows: $500.0 million to patents and related technology, $125.0 million to the future economic benefits to the Corporation of the Hughes Long-Term Incentive Plan (LTIP), and $3,619.7 million to other intangible assets. The amounts assigned to the various intangible asset categories are being amortized on a straight-line basis: patents and related technology over 15 years, the future economic benefits of the Hughes LTIP over five years and other intangible assets over 40 years. Amortization is applied directly to the asset accounts.

Because the acquisition was made effective December 31, 1985, the Statement of Consolidated Income includes the operations of Hughes beginning January 1, 1986. Pro forma results of operations of General Motors as though the acquisition of Hughes had been effective at the beginning of 1985 are as follows:

(Dollars in Millions)	Pro Forma 1985
Net Sales and Revenues	$102,537.1
Net Income	$ 4,023.5
Earnings Per Share Attributable to:	
$1-2/3 par value common stock	$11.89
Class E common stock	$1.57
Class H common stock (post-split—see Note 15)	$1.22

For the purpose of determining earnings per share and amounts available for dividends on common stocks, the amortization of intangible assets arising from the acquisition of Hughes is charged against earnings attributable to $1-2/3 par value common stock. The effect on the 1987 and 1986 earnings attributable to $1-2/3 par value common stock was a net charge of $55.3 million and $95.0 million, respectively, consisting of the amortization of the intangible assets arising from the acquisition, the profit on intercompany transactions and the earnings of GMHE attributable to $1-2/3 par value common stock.

On October 18, 1984, the Corporation acquired EDS and its subsidiaries for $2,501.9 million. The acquisition was consummated through an offer to exchange EDS common stock for either (a) $44 in cash or (b) $35.20 in cash plus two-tenths of a share of Class E common stock plus a nontransferable contingent promissory note issued by GM. This note is payable seven years after closing in an amount equal to .2 times the excess of $62.50 (post-split) over the market price of the Class E common stock at the maturity date of the note. Holders may tender their notes for prepayment at discounted amounts beginning in October 1989.

In December 1986, the Corporation reacquired 11,791,790 shares of Class E common stock and related contingent notes issued in the acquisition from certain employes and former stockholders of EDS for $751.5 million (see Note 16), including $343.2 million attributable to contingent notes. The cost of the contingent notes, less certain income tax benefits, was assigned principally to intangible assets, including goodwill.

If the market price of Class E common stock at the maturity date of the notes were to equal the market price at December 31, 1987, $38.50 a share, the aggregate additional consideration for contingent notes outstanding at December 31, 1987 would be $251.4 million. Any additional consideration would be charged to goodwill and amortized over the remaining life of that asset.

The acquisition of EDS was accounted for as a purchase. The purchase price in excess of the net book value of EDS, $2,179.5 million, was assigned principally to existing customer contracts, $1,069.9 million, computer software programs developed by EDS, $646.2 million, and other intangible assets, including goodwill, $290.2 million. The cost assigned to these assets is being amortized on a straight-line basis over five years for computer software programs, about seven years for customer contracts, ten years for goodwill and varying periods for the remainder. Amortization is applied directly to the asset accounts.

The Statement of Consolidated Income includes the operations of EDS since the date of acquisition. For the purpose of determining earnings per share and amounts available for dividends on common stocks, the amortization of these assets is charged against earnings attributable to $1-2/3 par value common stock. The effect on the 1987, 1986 and 1985 earnings attributable to $1-2/3 par value common stock was a net charge of $257.0 million, $260.2 million and $241.0 million, respectively, consisting of the amortization of the intangible and other assets arising from the acquisition less related income tax effects, the profit on intercompany transactions and the earnings of EDS attributable to $1-2/3 par value common stock.

NOTE 2. Net Sales and Revenues

Net sales and revenues includes sales to:

(Dollars in Millions)	1987	1986	1985
Nonconsolidated subsidiaries and associates	$ 595.1	$ 845.3	$ 289.1
Dealerships operating under dealership assistance plans	$2,287.5	$2,435.3	$2,090.1

Unrealized intercompany profits on sales to nonconsolidated subsidiaries and to associates are deferred.

NOTE 3. General Motors Incentive Program

The General Motors Incentive Program consists of the General Motors Performance Achievement Plan and the General Motors Stock Incentive Plan. The Program was last approved by the stockholders in 1987. The Program is administered by the Incentive and Compensation Committee of the Board of Directors (the Committee). Based on the recommendation of management, in 1987 the Board of Directors determined that the Bonus Plan would not be continued.

Performance Achievement Plan

Under the provisions of the Performance Achievement Plan, the Committee established target awards for the four-year period ending in 1991. Awards are established based on targeted relationships between Corporation earnings and worldwide industry sales during the award periods; the percentages of the target awards ultimately distributed to the participants are determined by the Committee based on actual results in relation to the established goals and individual performance.

Stock Incentive Plan

At the 1987 Annual Meeting of Stockholders, the 1977 and 1982 Stock Option Plans were modified and the 1987 Stock Incentive Plan (the Plan) was adopted. Under the Plan, the Committee may grant options and other rights (including stock appreciation rights, restricted stock units and contingent payment rights) to key employes during the period from June 1, 1987 through May 31, 1992. The aggregate number of shares for which options and other rights may be granted under the

(continued)

NOTE 3. (concluded)

Plan is 25 million shares of $1-2/3 par value common stock, 5 million shares of Class E common stock and 10 million shares (post-split) of Class H common stock.

Incentive and nonqualified stock options granted under these Plans generally are exercisable one-half after one year and one-half after two years from the dates of grant; the option prices are 100% of fair market value on the dates of grant. The options generally expire ten years from the dates of grant and are subject to earlier termination under certain conditions.

Changes in the status of outstanding options were as follows:

$1-2/3 par value common stock	Option Prices	Shares Under Option
Outstanding at January 1, 1985	$38.25-$77.19	2,641,243
Granted	67.94	1,132,605
Exercised: Options	38.25-72.88	(365,798)
SARs	38.25-72.88	(35,970)
Terminated	38.25-72.88	(30,692)
Outstanding at December 31, 1985	38.25-77.19	3,341,388
Granted	68.32	1,244,325
Exercised: Options	38.25-77.19	(385,984)
SARs	38.25-77.19	(51,859)
Terminated	38.25-77.19	(96,066)
Outstanding at December 31, 1986	38.25-77.19	4,051,804
Granted	81.69	1,173,240
Exercised: Options	38.25-77.19	(601,288)
SARs	38.25-77.19	(176,830)
Terminated	46.50-81.69	(76,852)
Outstanding at December 31, 1987	$38.25-$81.69	4,370,074

Stock Appreciation Rights (SARs) have been granted to certain officers of the Corporation in prior years, but no SARs or contingent payment rights were granted in 1987. SARs provide holders with the right to receive cash equal in value to the appreciation in the Corporation's common stock over the option price of the shares under option. They may be exercised only upon surrender of the related options and expire with the related options.

The Corporation intends to deliver newly issued $1-2/3 par value common stock upon the exercise of the stock options. Options for 2,616,189 shares were exercisable at December 31, 1987; the maximum number of shares for which additional options and other rights may be granted under the Plan was 21,826,939 shares of $1-2/3 par value, 4,344,952 shares of Class E and 8,963,270 shares (post-split) of Class H common stock at December 31, 1987.

Each restricted stock unit (Unit) relates to one share of $1-2/3 par value common stock, Class E common stock or Class H common stock, as determined by the Committee at the time of grant. The Units entitle the employe to receive, without payment to the Corporation, shares of common stock in consideration for services performed. Such units vest over specified periods generally ranging up to three years from the date of grant. In 1987, the Committee granted Units relating to 2,002,491 shares of $1-2/3 par value common stock, 655,048 shares of Class E common stock and 1,036,730 shares (post-split) of Class H common stock.

NOTE 4. EDS Incentive Plans

The GM Board of Directors has approved and adopted the 1984 Electronic Data Systems Corporation Stock Incentive Plan in accordance with stockholder approval obtained in connection with GM's acquisition of EDS. Under this Plan, shares, rights or options to acquire up to 40 million shares of Class E common stock may be granted or sold during the ten-year life of the Plan.

The EDS incentive and compensation committee has granted to key employes rights to purchase a total of 6,710,040 shares of Class E common stock at prices of $0.05 and $0.10 per share. Class E shares sold under the Plan are subject to restrictions and generally vest over a ten-year period from the date the stock purchase rights are granted.

In 1985, the committee also granted incentive stock options under the provisions of the 1984 Plan. The option price is equal to 100% of the fair market value of Class E common stock on the date the options were granted. These incentive stock options expire six years from the date of grant and are subject to earlier termination under certain conditions. Changes in the status of outstanding options were as follows:

Class E common stock	Option Prices	Shares Under Option
Granted in 1985	$35.82	4,082,500
Terminated	35.82	(38,300)
Outstanding at December 31, 1985	35.82	4,044,200
Exercised	35.82	(1,000)
Terminated	35.82	(255,450)
Outstanding at December 31, 1986	35.82	3,787,750
Exercised	35.82	(77,451)
Terminated	35.82	(222,849)
Outstanding at December 31, 1987	$35.82	3,487,450

At December 31, 1987, options for 1,743,725 Class E common shares were exercisable, and the maximum number of shares for which additional shares, rights or options may be granted or sold under the Plan was 29,724,059 shares.

As a part of the agreement for the acquisition of EDS by GM, the 2,270,160 unvested shares of EDS common stock sold under the EDS 1977 Stock Incentive Plan were converted at the date of the acquisition into an equal number of unvested shares of Class E common stock (4,540,320 shares on a post-split basis) all of which have now vested. In addition, EDS employes holding these shares under the 1977 Plan may receive deferred compensation payments under certain conditions. These payments are intended to compensate employes for the income tax consequences of realizing certain income taxed at ordinary income rates rather than at long-term capital gain rates.

NOTE 5. GMHE Incentive Plans

In 1985, stockholder approval was obtained in connection with GM's acquisition of Hughes for a GMHE Incentive Plan. Under this Plan, shares, rights or options to acquire up to 20 million shares (post-split) of Class H common stock may be granted or sold during the ten-year life of the Plan.

The GM Incentive and Compensation Committee may grant options and other rights to acquire Class H common stock shares under the provisions of the GMHE Plan. The option price is equal to 100% of the fair market value of Class H common stock on the date the options were granted. These nonqualified options generally expire ten years from the dates of grant and are subject to earlier termination under certain conditions.

Changes in the status of outstanding options, on a post-split basis, were as follows:

Class H common stock	Option Prices	Shares Under Option
Granted in 1986	$19.75	78,910
Outstanding at December 31, 1986	19.75	78,910
Granted in 1987	24.34-24.69	764,100
Outstanding at December 31, 1987	$19.75-$24.69	843,010

(continued)

NOTE 5. (concluded)

Options for 39,456 shares (post-split) of Class H common stock were exercisable at December 31, 1987; the maximum number of shares for which additional options and other rights may be granted under the Plan was 19,156,990 (post-split) at December 31, 1987.

Prior to the acquisition of Hughes, the Hughes board of directors adopted the Hughes Long-Term Incentive Plan (LTIP). The LTIP was developed to provide incentives to employes to remain with Hughes, a factor considered significant in preserving the value of Hughes for a buyer. The LTIP provided approximately 1,000 key scientists, engineers and managers of Hughes with restricted cash units, which entitle participants to receive payments from a trust established and funded pursuant to the terms of the LTIP. Concurrent with the acquisition of Hughes, $250 million was contributed to the trust by Hughes, and Hughes incurred a nonrecurring preacquisition charge of about $125 million (net of the related income tax effects). In 1986, the LTIP was amended to allow participants on a one-time basis to convert restricted cash units to Class H common stock. A total of 113,517 restricted cash units were converted to 7.4 million shares (post-split) of Class H common stock at a price of $20.03 (post-split) per share.

NOTE 6. Special Provision for Scheduled Plant Closings and Other Restructurings

In 1986, the Corporation announced plans to close certain manufacturing and assembly plants over the next three years and to restructure certain other operations. The 1986 results of operations included a special provision of $1,287.6 million for costs associated with these scheduled plant closings and other restructurings that were reasonably estimable at the time. This provision includes $802.9 million for scheduled plant closings in the U.S. and $484.7 million for various other restructurings of foreign operations. As a result of plant closings and other restructurings, consolidated net income in 1986 was reduced by $291.3 million or $0.92 per share of $1-2/3 par value common stock. During 1987, a net of $151.3 million was charged against this reserve for costs incurred related to 1987 plant closings.

NOTE 7. Other Income Less Income Deductions

(Dollars in Millions)	1987	1986	1985
Other income: Interest	$1,148.9	$813.6	$1,328.3
Other	156.0	223.3	143.6
Income deductions	(238.2)	(53.8)	(172.7)
Net	$1,066.7	$983.1	$1,299.2

NOTE 8. Pension Program and Postemployment Benefits

The Corporation and its subsidiaries have a number of defined benefit pension plans covering substantially all employes. Plans covering U.S. and Canadian represented employes generally provide benefits of negotiated stated amounts for each year of service as well as significant supplemental benefits for employes who retire with 30 years of service before normal retirement age. The benefits provided by the plans covering its U.S. and Canadian salaried employes, and employes in certain foreign locations, are generally based on years of service and the employe's salary history. The Corporation and its consolidated subsidiaries also have certain nonqualified pension plans covering executives which are based on targeted wage replacement percentages and currently are generally unfunded.

Plan assets are primarily invested in United States government obligations, equity and fixed income securities, commingled pension trust funds and insurance contracts. Plan assets of the U.S. plans included GM preference stock valued at $1,039.9 million contributed to the plans in 1987 (see Note 16). The Corporation's funding policy with respect to its qualified plans is to contribute annually not less than the minimum required by applicable law and regulation nor more than the maximum amount which can be deducted for Federal income tax purposes.

In 1986, the Corporation adopted SFAS No. 87, Employers' Accounting for Pensions, with respect to all its U.S. and Canadian defined benefit pension plans and with respect to certain foreign pension plans, effective January 1, 1987. Application of SFAS No. 87 had the effect of increasing 1986 net income by $330.5 million or $0.96 per share of $1-2/3 par value common stock, $0.04 per share of Class E common stock and $0.17 per share (post-split) of Class H common stock. The effect of adopting SFAS No. 87 at certain foreign locations in 1987 was not material. In addition, the change in pension plan actuarial assumptions made in 1986, as recommended by GM's independent actuary to reflect the increased yield on investments, had the effect of increasing 1986 net income by $195.6 million or $0.61 per share of $1-2/3 par value common stock.

Total pension expense of the Corporation and its consolidated subsidiaries amounted to $707.9 million in 1987, $821.0 million in 1986, and $1,674.8 million in 1985. The 1985 pension expense does not include amounts for the Hughes subsidiary. Net periodic pension cost (credit) for 1987 and 1986 of U.S. plans and plans of subsidiaries outside the United States for which SFAS No. 87 has been adopted included the components shown below.

1987	U.S. Plans		Non-U.S. Plans	
	(Dollars in Millions)			
Benefits earned during the year		$ 798.2		$ 27.7
Interest accrued on benefits earned in prior years		2,718.0		150.9
Return on assets				
—Actual	($7,436.6)		($586.0)	
—Less deferred gain	4,608.4	(2,828.2)	304.5	(281.5)
Net amortization		122.5		(74.9)
Net periodic pension cost (credit)		$ 810.5		($177.8)
1986				
Benefits earned during the year		$ 622.3		$ 17.8
Interest accrued on benefits earned in prior years		2,517.7		81.7
Return on assets				
—Actual	($6,711.2)		($153.9)	
—Less deferred gain	4,365.8	(2,345.4)	37.3	(116.6)
Net amortization		(59.7)		(24.0)
Net periodic pension cost (credit)		$ 734.9		($ 41.1)

The table on the next page reconciles the funded status of the Corporation's U.S. and non-U.S. plans for which SFAS No. 87 has been adopted with amounts recognized in the Corporation's Consolidated Balance Sheet at December 31, 1987 and December 31, 1986.

Measurement dates used for the Corporation's principal U.S. plans are October 1 for GM's plans (including Delco Electronics Corporation) and EDS and December 31 for Hughes plans. For non-U.S. plans, the measurement date used is October 1 for certain foreign locations and December 1 for Canadian plans.

The weighted average discount rate used in determining the actuarial present values of the projected benefit obligation shown in the table on the next page for U.S. plans was 10.4% at December 31, 1987 and 8.5% at December 31, 1986 and for non-U.S. plans was 11.4% at December 31,

(continued)

NOTE 8. (concluded)

(Dollars in Millions)	U.S. Plans				Non-U.S. Plans	
	December 31, 1987		December 31, 1986		December 31, 1987	December 31, 1986
Actuarial present value of benefits based on service to date and present pay levels	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets	Assets Exceed Accum. Benefits	Assets Exceed Accum. Benefits
Vested	$27,403.5	$ 33.6	$12,092.9	$14,728.0	$1,676.8	$1,100.2
Nonvested	2,922.3	16.6	963.8	2,951.9	157.3	178.2
Accumulated benefit obligation	30,325.8	50.2	13,056.7	17,679.9	1,834.1	1,278.4
Additional amounts related to projected pay increases	1,385.1	61.0	2,126.4	53.7	126.6	140.2
Total projected benefit obligation based on service to date	31,710.9	111.2	15,183.1	17,733.6	1,960.7	1,418.6
Plan assets at fair value	38,521.5	—	16,797.5	15,287.3	3,538.1	2,625.1
Projected benefit obligation (in excess of) or less than plan assets	6,810.6	(111.2)	1,614.4	(2,446.3)	1,577.4	1,206.5
Unamortized net amount resulting from changes in plan experience and actuarial assumptions	(5,660.7)	4.2	1,684.7	1,509.0	(278.6)	34.1
Unamortized prior service cost	1,894.9	9.0	—	—	274.8	—
Unamortized net obligation or (asset) at date of adoption	(652.7)	67.5	(2,529.3)	1,884.6	(1,128.9)	(1,016.1)
Prepaid pension cost recognized in the Consolidated Balance Sheet	$ 2,392.1	($ 30.5)	$ 769.8	$ 947.3	$ 444.7	$ 224.5

1987 and 10.7% at December 31, 1986. The rate of increase in future compensation levels of U.S. salaried employes was 5.5% at December 31, 1987 and 5.6% at December 31, 1986 and of non-U.S. salaried employes was 6.0% at December 31, 1987 and 5.9% at December 31, 1986. Benefits under the hourly plans are generally not based on wages and therefore no benefit escalation beyond existing negotiated increases was included. The expected long-term rate of return on assets used in determining 1987 and 1986 pension expense for U.S. plans was 10.0% and for non-U.S. plans was 10.6% for 1987 and 10.0% for 1986. The assumptions for non-U.S. plans were developed on a basis consistent with that for U.S. plans, adjusted to reflect prevailing economic conditions and interest rate environments.

The actuarial present value of accumulated benefits for the pension plans of subsidiaries outside the United States for which SFAS No. 87 has not yet been adopted has not been determined in the manner calculated and shown above. The total of these plans' pension funds and balance sheet accruals, less pension prepayments and deferred charges, exceeded the actuarially computed value of vested benefits by approximately $141.8 million at December 31, 1987 and $103.2 million at December 31, 1986.

In addition to providing pension benefits, the Corporation and certain of its subsidiaries provide certain health care and life insurance benefits for retired employes. Substantially all of the Corporation's employes, including employes in some foreign countries, may become eligible for those benefits if they reach normal retirement age while working for the Corporation. The Corporation recognizes the cost of providing those benefits primarily by expensing the cost as incurred. The cost of such benefits amounted to $820.2 million in 1987, $864.5 million in 1986 and $836.5 million in 1985.

A program for early retirement or special separation is being offered to certain salaried employes. Expenses accrued in 1987 and 1986 for the program were $431.2 million and $88.2 million, respectively.

NOTE 9. United States, Foreign and Other Income Taxes (Credit)

(Dollars in Millions)	1987	1986	1985
Taxes estimated to be payable currently:			
United States Federal	($1,303.8)	($2,176.2)	$1,465.4
Foreign	(329.7)	524.2	287.3
State and local	(10.1)	(200.5)	147.9
Total	(1,643.6)	(1,852.5)	1,900.6
Taxes deferred—net:			
United States Federal	1,123.0	1,413.8	(386.7)
Foreign	508.1	(202.4)	54.9
State and local	80.8	148.0	(4.6)
Total	1,711.9	1,359.4	(336.4)
Investment tax credits deferred—net:			
United States Federal	(139.4)	168.2	49.0
Foreign	11.2	24.6	17.1
Total	(128.2)	192.8	66.1
Total taxes (credit)	($ 59.9)	($ 300.3)	$1,630.3

Investment tax credits entering into the determination of taxes estimated to be payable currently amounted to $228.8 million in 1987, $568.6 million in 1986 and $427.6 million in 1985.

The deferred taxes (credit) for timing differences consisted principally of the following: 1987—$1,306.3 million for depreciation, $156.9 million for sales and product allowances, $676.7 million for vehicle instalment sales, $99.8 million for benefit plans expense and ($221.1) million for profits on long-term contracts; 1986—$173.3 million for depreciation, $954.1 million for sales and product allowances, $420.9

(continued)

NOTE 9. (concluded)

million for vehicle instalment sales, $247.8 million for benefit plans expense and ($184.5) million for profits on long-term contracts; and 1985—$269.0 million for depreciation, ($608.1) million for sales and product allowances and $125.1 million for pollution control bonds.

Income before income taxes included the following components:

(Dollars in Millions)	1987	1986	1985
Domestic income	$ 377.5	$ 87.4	$3,690.5
Foreign income	1,627.9	1,372.9	930.8
Total	$2,005.4	$1,460.3	$4,621.3

The consolidated income tax (credit) was different than the amount computed at the United States statutory income tax rate for the reasons set forth in the table below.

(Dollars in Millions)	1987	1986	1985
Expected tax at U.S. statutory income tax rate	$802.1	$671.7	$2,125.8
Investment tax credits amortized	(357.0)	(375.8)	(361.5)
Foreign tax rate differential	(75.7)	19.9	(7.2)
Utilization of loss carryforwards at certain foreign operations	(297.9)	—	—
State and local income taxes	45.7	29.6	77.4
Research and development credit	(63.3)	(86.7)	(147.0)
Tax benefit from restructuring of foreign operations	—	(404.0)	—
ESOP credit and related adjustments	(24.3)	(76.4)	(75.2)
Tax effect of foreign dividends	2.1	(96.2)	(19.3)
Deferred tax rate adjustments	(161.5)	—	—
Other adjustments	69.9	17.6	37.3
Consolidated income tax (credit)	($ 59.9)	($300.3)	$1,630.3

NOTE 10. Earnings Per Share Attributable to and Dividends on Common Stocks

Earnings per share attributable to common stocks have been determined based on the relative rights of $1-2/3 par value common, Class E common and Class H common stocks to participate in dividends. The effect on earnings per share of $1-2/3 par value common stock resulting from the assumed exercise of outstanding options, the delivery of stock awards and the assumed conversion of the preference shares discussed in Note 16 is not material. The operations of the EDS and GMHE Incentive Plans and the assumed conversion of the preference shares do not have a material dilutive effect on earnings per share of Class E or Class H common stocks, respectively, at this time.

Dividends on the $1-2/3 par value common stock are declared out of the earnings of GM and its subsidiaries, excluding the Available Separate Consolidated Net Income of EDS and GMHE.

Dividends on the Class E common stock are declared out of the Available Separate Consolidated Net Income of EDS earned since the acquisition of EDS by GM. The Available Separate Consolidated Net Income of EDS is determined quarterly and is equal to the separate consolidated net income of EDS, excluding the effects of purchase accounting adjustments arising from the acquisition of EDS, multiplied by a fraction, the numerator of which is the weighted average number of shares of Class E common stock outstanding during the period and the denominator of which is currently 121.9 million shares.

Dividends on the Class H common stock are declared out of the Available Separate Consolidated Net Income of GMHE earned after December 31, 1985, the date the Hughes acquisition was made effective. The Available Separate Consolidated Net Income of GMHE is determined quarterly and is equal to the separate consolidated net income of GMHE, excluding the effects of purchase accounting adjustments arising from the acquisition of Hughes, multiplied by a fraction, the numerator of which is the weighted average number of shares of Class H common stock outstanding during the period and the denominator of which is currently 400 million shares on a post-split basis (see Note 15).

The denominators used in determining the Available Separate Consolidated Net Income of EDS and GMHE will be adjusted as deemed appropriate by the Board of Directors to reflect subdivisions or combinations of the Class E common and Class H common stocks and to reflect certain transfers of capital to or from EDS and GMHE.

Dividends may be paid on common stocks only when, as and if declared by the Board of Directors in its sole discretion. The Board's policy with respect to $1-2/3 par value common stock is to distribute dividends based on the outlook and the indicated capital needs of the business. The current policy of the Board of Directors with respect to the Class E common and Class H common stocks is to pay cash dividends approximately equal to 25% of the Available Separate Consolidated Net Income of EDS and GMHE, respectively, for the prior year.

NOTE 11. General Motors Acceptance Corporation and Subsidiaries

Condensed Consolidated Balance Sheet (Dollars in Millions)	1987	1986
Cash and investments in securities	$ 3,037.5	$ 3,295.5
Finance receivables—net	74,306.6	73,516.7
Notes receivable from General Motors Corporation	13,981.0	5,500.0
Other assets	7,201.9	8,468.7
Total Assets	$98,527.0	$90,780.9
Short-term debt	$50,878.5	$50,968.4
Accounts payable and other liabilities (including GM and affiliates—$2,742.4 and $1,387.1)	9,803.9	7,800.7
Long-term debt	30,869.4	25,629.7
Stockholder's equity	6,975.2	6,382.1
Total Liabilities and Stockholder's Equity	$98,527.0	$90,780.9

Condensed Statement of Consolidated Income (Dollars in Millions)	1987	1986	1985
Gross Revenue	$13,400.7	$13,069.9	$ 9,755.8
Interest and discount	6,118.3	6,188.5	5,121.8
Other expenses	5,829.2	5,696.3	3,613.0
Total Expenses	11,947.5	11,884.8	8,734.8
Net Income	$ 1,453.2	$ 1,185.1	$ 1,021.0
Dividends paid to GM	$ 900.0	—	$ 100.0

(continued)

NOTE 11. (concluded)

Interest is paid to General Motors on settlements of wholesale financing of product sales which are made after the normal settlement date.

Under the special rate programs sponsored by General Motors, an interest rate differential is paid to GMAC. These payments are included in unearned income by GMAC and are recognized over the life of the related contracts. Amounts recognized constituted 7% of GMAC gross revenues in 1987, compared with 11% in 1986 and 3% in 1985.

For marketing and financial reasons, in 1986 GM assumed part of the dealer inventory financing previously provided by GMAC. Accordingly, on September 30, 1986, General Motors entered into a five-year financing agreement with GMAC which provides that GMAC will extend loans to GM up to a maximum of $12 billion which will bear interest at floating market rates. In July 1987, the maximum was increased to $17 billion. GMAC services these receivables for GM for a fee. This financing agreement ensures that GMAC's ongoing funding activities continue and returns to GMAC the approximate amount of interest and fees it would have earned had it retained the dealer inventory financing business. At December 31, 1987 and 1986, $13,676.0 million and $5,200.0 million, respectively, were outstanding under this agreement at rates of 8.75% and 7.4%, respectively. Fees and interest paid by GM amounted to $741.1 million in 1987 and $83.7 million in 1986.

In 1987, GMAC revised the rates of depreciation for automobiles on operating leases to retail customers to give effect to current experience with respect to the residual values of the automobiles. These revisions had the effect of increasing GMAC's 1987 net income by $254.7 million, or $0.81 per share of $1-2/3 par value common stock.

NOTE 12. Real Estate, Plants and Equipment and Accumulated Depreciation

(Dollars in Millions)	1987	1986
Real estate, plants and equipment (Note 14):		
Land	$ 590.9	$ 610.9
Land improvements	1,640.0	1,438.2
Leasehold improvements—less amortization	182.3	68.0
Buildings	11,978.0	10,930.0
Machinery and equipment	39,453.7	35,326.5
Furniture and office equipment	2,272.7	1,959.8
Satellites and related facilities	297.3	284.1
Capitalized leases	1,121.2	938.2
Construction in progress	2,273.3	3,685.0
Total	$59,809.4	$55,240.7
Accumulated depreciation:		
Land improvements	$ 928.6	$ 853.0
Buildings	5,467.5	4,929.9
Machinery and equipment	22,784.7	20,548.8
Furniture and office equipment	1,151.0	803.7
Satellites and related facilities	98.4	46.3
Capitalized leases	545.8	476.3
Total	$30,976.0	$27,658.0

Gross property increased in 1987 by $1,461.4 million as a result of foreign currency translation adjustments. Net book value increased $281.0 million because of such adjustments.

NOTE 13. Accrued Liabilities and Deferred Income Taxes

(Dollars in Millions)	1987	1986
Taxes, other than income taxes	$ 1,155.2	$ 1,228.8
Payrolls	2,206.6	2,174.9
Employe benefits	487.2	372.5
Dealer and customer allowances, claims, discounts, warranties, etc.	3,907.9	3,938.6
Deferred income taxes	2,167.4	1,268.4
Other	5,261.4	4,433.7
Total	$15,185.7	$13,416.9

NOTE 14. Long-Term Debt

(Dollars in Millions)	Interest Rate	Maturity	1987	1986
U.S. dollars:				
Notes	12.2 %		$ —	$ 75.0
Notes	14.7	1991	500.0	500.0
Notes	8.125	1991	300.0	300.0
Notes	7.5	1993	400.0	400.0
Debentures	8.625	2005	102.4	102.4
Debentures	8.125	2016	500.0	500.0
Other	Various	1989-2011	361.8	740.6
Other currencies:				
Canadian dollars	3.9	1989-2017	340.8	73.2
Australian dollars	12.5	Indefinite	284.6	22.0
Swiss francs	7.1	1989-1997	266.2	161.9
Japanese yen	7.5	1991-1995	262.0	162.4
German marks	5.0	1989-1997	243.2	193.8
Spanish pesetas	14.4	1989-1992	195.6	526.3
Belgian francs	6.3	1989-2002	132.4	4.0
British pounds	8.2	Indefinite	67.5	187.5
Other currencies	Various	1989-2001	69.1	146.7
Total			4,025.6	4,095.8
Less unamortized discount (principally on 14.7% notes due 1991)			76.3	88.5
Total			$3,949.3	$4,007.3

At December 31, 1987, the Corporation and its consolidated subsidiaries had unused short-term credit lines of approximately $5.7 billion and unused long-term credit agreements of approximately $1.7 billion. Long-term debt at December 31, 1987 and 1986 included approximately $504 million and $597 million, respectively, of short-term obligations which are intended to be renewed or refinanced under long-term credit agreements. Long-term debt (including current portion) bore interest at a weighted average rate of approximately 8.8% at December 31, 1987 and 10.8% at December 31, 1986. Maturities of long-term debt in the years 1988 through 1992 are (in millions) $321.1 (included in loans payable at December 31, 1987), $265.1, $217.5, $1,319.1 and $220.0. Loans payable at December 31, 1986 included the current portion of long-term debt in the amount of $401.4 million.

In 1981, the Corporation and a subsidiary arranged a private financing of $500 million in 14.7% notes due 1991. An option to acquire certain real estate in 1991 was also granted. The option holder may deliver the notes in payment for the real estate.

Under the sinking fund provisions of the trust indenture for the Corporation's 8⅝% Debentures due 2005, the Corporation is to make annual sinking fund payments of $3.0 million in 2002 and $11.8 million in each of the years 2003 and 2004.

NOTE 15. Class H Common Stock Split

On February 1, 1988, the Board of Directors declared a two-for-one stock split in the form of a 100% stock dividend for Class H common stock, payable March 10, 1988 to shareholders of record on February 12, 1988. At delivery, the balance sheet will be adjusted for the stock split by increasing Class H common stock and reducing capital surplus by $6.5 million. All per share data have been adjusted for the stock split.

NOTE 16. Stockholders' Equity

The preferred stock is subject to redemption at the option of the Board of Directors on any dividend date on not less than thirty days' notice at the redemption prices stated in the table on the next page plus accrued dividends.

On September 14, 1987, 19,573,836 shares of $0.10 par value convertible, non-voting preference stock, valued at $1,039.9 million, were contributed to GM's U.S. pension plans for hourly-rate and salaried employes with respect to the 1986 plan year. The contribution consisted of six separate series of 3,262,306 shares each: (1) Series E-I, E-II and E-III shares will pay dividends equivalent to the dividends declared and paid on Class E common stock and are convertible on a one-for-one fixed basis into Class E common shares three, four and five years

(continued)

NOTE 16. (continued)

after issuance, respectively; and (2) Series H-I, H-II and H-III shares will pay dividends equivalent to twice the dividends declared and paid on Class H common stock and are convertible on a one-for-two fixed basis into Class H common shares three, four and five years after issuance, respectively.

Holders of the preference shares will be able to elect to require GM to redeem the shares at the following prices on the following dates:

Preference Stock Series	Redemption Price	Redemption Date
	($ Per Share)	
E-I	57.25	October 1, 1990
E-II	62.00	September 15, 1991
E-III	67.25	September 15, 1992
H-I	63.50	October 1, 1990
H-II	69.00	September 15, 1991
H-III	74.75	September 15, 1992

The redemption prices indicated above represent the liquidation values of such shares.

On or after each series' redemption date, quarterly preferential dividends will be payable of $0.715 per share on Series E shares and $0.795 per share on Series H shares. After September 15, 1993, any or all of the preference shares not converted could be redeemed by GM at its option at the applicable redemption prices, although preference shareholders will first have the right to convert if GM exercises its redemption option.

Holders of $1-2/3 par value common stock, Class E common stock and Class H common stock are entitled to one, one-quarter and one-quarter (post-split) vote per share, respectively, on all matters submitted to the stockholders for a vote. The liquidation rights of common stockholders are based on per share liquidation units of the various classes and are subject to certain adjustments if outstanding common stock is subdivided, by stock split or otherwise, or if shares of one class of common stock are issued as a dividend to holders of another class of common stock. At December 31, 1987, each share of $1-2/3 par value common, Class E common and Class H common stock was entitled to a liquidation unit of approximately one, one-quarter and one-quarter (post-split), respectively.

In December 1986, the Corporation reacquired 11,791,790 shares of Class E common stock and related contingent notes issued in the EDS acquisition from certain employes and former stockholders of EDS for $751.5 million, including $389.1 million, or $33 per share, attributable to Class E common stock (see Note 1).

After December 31, 1994 or December 31, 1995, the Board of Directors may exchange $1-2/3 par value common stock for Class E common stock or for Class H common stock, respectively, if the Board has declared and paid certain minimum cash dividends during each of the five years preceding the exchange. If GM should sell, liquidate, or otherwise dispose of substantially all of EDS, Hughes or the other business of GMHE, the Corporation will be required to exchange $1-2/3 par value common stock for Class E common or Class H common stock, respectively. In the event of any exchange, the Class E common or Class H common stockholders will receive $1-2/3 par value common stock having a market value at the time of the exchange equal to 120% of the market value of the Class E common or Class H common stock exchanged.

The Certificate of Incorporation provides that no cash dividends may be paid on the $1-2/3 par value common stock, Class E common stock, Class H common stock or any series of preference stock so long as current assets (excluding prepaid expenses) in excess of current liabilities of the Corporation are less than $75 per share of outstanding preferred stock. Such current assets (with inventories calculated on the FIFO basis) in excess of current liabilities were greater than $75 in respect of each share of outstanding preferred stock at December 31, 1987 and 1986.

The equity of the Corporation and its consolidated subsidiaries in the accumulated net income or loss, since acquisition, of associates has been included in net income retained for use in the business.

At December 31, 1987, consolidated net income retained for use in the business attributable to $1-2/3 par value common, Class E common and Class H common stocks was $25,130.2 million, $317.9 million and $323.6 million, respectively.

(Dollars in Millions Except Per Share Amounts)	1987	1986	1985
Capital Stock:			
Preferred Stock, without par value, cumulative dividends (authorized, 6,000,000 shares):			
$5.00 series, stated value $100 per share, redeemable at Corporation option at $120 per share:			
Outstanding at beginning of the year (1,530,194 shares in 1987, 1,693,294 in 1986 and 1,698,294 in 1985)	$153.0	$169.3	$169.8
Reacquired on the open market (163,100 shares in 1986 and 5,000 in 1985)	—	(16.3)	(.5)
Outstanding at end of the year (1,530,194 shares in 1987 and 1986 and 1,693,294 in 1985)	153.0	153.0	169.3
$3.75 series, stated value $100 per share, redeemable at Corporation option at $100 per share:			
Outstanding at beginning of the year (814,100 shares in 1987 and 1986 and 858,000 in 1985)	81.4	81.4	85.8
Reacquired on the open market (43,900 shares)	—	—	(4.4)
Outstanding at end of the year (814,100 shares in 1987, 1986 and 1985)	81.4	81.4	81.4
Preference Stock, $0.10 par value (authorized, 100,000,000 shares):			
E Series, convertible one-for-one at fixed dates into Class E common stock:			
Issued in conjunction with pension plan contribution (9,786,918 shares)	1.0	—	—
H Series, convertible one-for-two (on a post-split basis) at fixed dates into Class H common stock:			
Issued in conjunction with pension plan contribution (9,786,918 shares)	1.0	—	—
Common Stock, $1-2/3 par value (authorized, 1,000,000,000 shares):			
Issued at beginning of the year (319,383,830 shares in 1987, 318,853,315 in 1986 and 317,504,133 in 1985)	532.3	531.4	529.2
Reacquired on the open market (8,049,495 shares in 1987 and 761,390 in 1986)	(13.4)	(1.3)	—
Newly issued shares sold under provisions of the GM Incentive Program and the Dividend Reinvestment Plan and used for bonus deliveries in 1986 and 1985 (1,319,683 shares in 1987, 1,291,905 in 1986 and 1,349,182 in 1985)	2.2	2.2	2.2
Issued at end of the year (312,654,018 shares in 1987, 319,383,830 in 1986 and 318,853,315 in 1985)	$521.1	$532.3	$531.4

(continued)

NOTE 16. (continued)

(Dollars in Millions Except Per Share Amounts)	1987	1986	1985
Class E Common Stock, $0.10 par value (authorized, 190,000,000 shares):			
Issued at beginning of the year (53,507,119 shares in 1987, 66,227,137 in 1986 and 29,082,382 in 1985)	$ 5.4	$ 6.6	$ 2.9
Reacquired from certain employes and former stockholders of EDS (11,791,790 shares)	—	(1.2)	—
Issued as a public offering (3,125,000 shares)	—	—	.3
Two-for-one stock split in the form of a 100% stock dividend (31,742,670 shares)	—	—	3.2
Reacquired on the open market (3,381,258 shares in 1987, 2,417,206 in 1986 and 651,804 in 1985)	(.3)	(.2)	(.1)
Issued in conjunction with EDS Incentive Plans and other employe stock plans (1,475,826 shares in 1987, 1,488,978 in 1986 and 2,928,889 in 1985) (Note 4)	.1	.2	.3
Issued at end of the year (51,601,687 shares in 1987, 53,507,119 in 1986 and 66,227,137 in 1985)	5.2	5.4	6.6
Class H Common Stock, $0.10 par value (authorized, 600,000,000 shares in 1985):			
Issued at beginning of the year (66,585,332 shares in 1987 and 65,495,316 in 1986)	6.6	6.6	—
Issued in conjunction with GMHE Incentive Plans and other employe stock plans (574,783 shares in 1987 and 4,156,598 in 1986)	.1	.3	—
Reacquired on the open market (1,725,179 shares in 1987 and 3,066,582 in 1986)	(.2)	(.3)	—
Issued in the acquisition of Hughes in 1985 (50,000,000 shares)	—	—	5.0
Issued to $1-2/3 par value common stockholders as a dividend (15,495,316 shares)	—	—	1.6
Issued at end of the year (65,434,936 shares in 1987, 66,585,332 in 1986 and 65,495,316 in 1985)	6.5	6.6	6.6
Total capital stock at end of the year	769.2	778.7	795.3
Capital Surplus (principally additional paid-in capital):			
Balance at beginning of the year	6,332.6	6,667.8	3,347.8
Preferred stock:			
Stated value in excess of repurchase price of shares reacquired on the open market	—	6.2	2.9
Preference stock:			
Amount in excess of par value of shares contributed to GM's U.S. Pension Plans	1,037.9	—	—
$1-2/3 par value common stock:			
Repurchase price in excess of par value of shares reacquired on the open market	(575.1)	(52.1)	—
Proceeds in excess of par value of newly issued shares used for the GM Incentive Program and the Dividend Reinvestment Plan	71.6	89.5	90.7
Class E common stock:			
Repurchase price in excess of par value:			
Shares reacquired from certain employes and former stockholders of EDS	—	(387.9)	—
Shares reacquired on the open market	(101.5)	(92.0)	(125.8)
Amounts in excess of par value:			
Issued as a public offering	—	—	193.3
Issued in conjunction with EDS Incentive Plans and other employe stock plans	49.7	68.6	34.7
Amount transferred to Class E common stock in conjunction with two-for-one stock split in the form of a 100% stock dividend	—	—	(3.2)
Class H common stock:			
Repurchase price in excess of par value of shares reacquired on the open market	(77.3)	(134.3)	—
Amounts in excess of par value:			
Issued in conjunction with GMHE Incentive Plans and other employe stock plans	26.7	166.8	—
Issued in the acquisition of Hughes	—	—	2,556.9
Issued as a dividend	—	—	570.5
Balance at end of the year	6,764.6	6,332.6	6,667.8
Net Income Retained for Use in the Business:			
Balance at beginning of the year	23,888.7	22,606.6	20,796.6
Net income	3,550.9	2,944.7	3,999.0
Total	27,439.6	25,551.3	24,795.6
Dividend of one Class H common share for each 20 shares of $1-2/3 par value common outstanding	—	(.5)	572.1
Cash dividends:			
Preferred stock, $5.00 series, $5.00 per share	7.7	7.8	8.4
Preferred stock, $3.75 series, $3.75 per share	3.0	3.0	3.2
Preference stock, E series, $0.13 per share	1.3	—	—
Preference stock, H series, $0.18 per share	1.7	—	—
$1-2/3 par value common stock, $5.00 per share in 1987, 1986 and 1985	1,579.6	1,588.0	1,581.2
Class E common stock, $0.52 per share in 1987, $0.40 in 1986 and $0.195 in 1985	27.4	25.9	12.4
Class H common stock, $0.36 per share in 1987 and $0.30 in 1986 (on a post-split basis)	47.2	38.4	—
Cash payments in lieu of fractional shares of Class H common stock issued as a dividend	—	—	11.7
Total cash dividends	1,667.9	1,663.1	1,616.9
Balance at end of the year	$25,771.7	$23,888.7	$22,606.6

(continued)

NOTE 16. (concluded)

(Dollars in Millions)	1987	1986	1985
Accumulated Foreign Currency Translation and Other Adjustments:			
Balance at beginning of the year:			
Accumulated foreign currency translation adjustments	($ 482.8)	($ 675.0)	($ 789.5)
Net unrealized gains on marketable equity securities	160.8	130.0	71.7
Changes during the year:			
Accumulated foreign currency translation adjustments	251.1	192.2	114.5
Net unrealized gains (losses) on marketable equity securities	(9.5)	30.8	58.3
Balance at end of the year	(80.4)	(322.0)	(545.0)
Total Stockholders' Equity	$33,225.1	$30,678.0	$29,524.7

NOTE 17. Segment Reporting

Industry Segments

While the major portion of the Corporation's operations in 1987 and 1986 was derived from the automotive products industry segment, GM also produces products and services in the defense and other nonautomotive products industry segments. The automotive products segment consists of the design, manufacture, assembly and sale of automobiles, trucks and related parts and accessories. The defense products segment includes military vehicles, radar and weapon control systems, guided missile systems, and defense satellites. The other nonautomotive products segment consists of the design, installation and operation of business information and telecommunication systems; as well as the design, development and manufacture of locomotives; engines for drilling, marine and stationary applications; commercial satellites; and specialized automated production and test equipment. Prior to 1986, General Motors operated predominantly in the automotive products industry and, accordingly, did not present industry segment data. Because of the high degree of integration, substantial interdivisional and intersegment transfers of materials and services are made. Intersegment sales and revenues are made at negotiated selling prices.

Substantially all of General Motors' automotive and nonautomotive products are marketed through retail dealers and through distributors and jobbers in the United States and Canada and through distributors and dealers overseas. To assist in the merchandising of General Motors' products, GMAC and its subsidiaries offer financial services and certain types of automobile insurance to dealers and customers. In addition, subsidiaries of GMAC are engaged in mortgage banking operations.

Information concerning operations by industry segment in 1987 and 1986 is displayed below.

1987	Automotive Products	Defense Products	Other Non-automotive Products	Total
		(Dollars in Millions)		
Net Sales and Revenues:				
Outside	$89,818.4	$ 7,985.4	$3,978.1	$101,781.9
Intersegment	72.2	3.1	2,644.7	—
Total net sales and revenues	$89,890.6	$ 7,988.5	$6,622.8	$101,781.9*
Operating Profit	$ 3,379.9	$ 349.0	$ 71.2	$ 3,800.1
Identifiable Assets at Year-End	$58,859.5	$10,715.7	$6,527.3	$ 76,102.5
Depreciation and Amortization**	$ 4,695.3	$ 517.5	$ 899.2	$ 6,112.0
Capital Expenditures	$ 6,146.0	$ 407.4	$ 504.0	$ 7,057.4

1986	Automotive Products	Defense Products	Other Non-automotive Products	Total
Net Sales and Revenues:				
Outside	$90,740.2	$7,760.8	$4,312.7	$102,813.7
Intersegment	123.4	—	3,179.9	—
Total net sales and revenues	$90,863.6	$7,760.8	$7,492.6	$102,813.7*
Operating Profit	$ 2,014.3***	$ 285.8	$ 145.8	$ 2,445.9
Identifiable Assets at Year-End	$46,708.0	$8,733.6	$6,467.0	$ 61,908.6
Depreciation and Amortization	$ 5,188.9	$ 443.5	$ 961.3	$ 6,593.7
Capital Expenditures	$10,257.3	$ 500.2	$ 954.1	$ 11,711.6

*After elimination of intersegment transactions.
**Includes a revision to estimated service lives of plants and equipment and special tools of $1,236.6 million.
***Includes a special provision for scheduled plant closings and other restructurings of $1,287.6 million.

(continued)

NOTE 17. (concluded)

A reconciliation of operating profit shown on the preceding page to operating income detailed in the Statement of Consolidated Income and a reconciliation of identifiable assets shown on the preceding page to the asset total displayed in the Consolidated Balance Sheet follow:

(Dollars in Millions)	1987	1986
Operating Profit	$ 3,800.1	$ 2,445.9
Corporate Expenses	(1,230.7)	(1,015.0)
Operating Income	$ 2,569.4	$ 1,430.9
Identifiable Assets	$76,102.5	$61,908.6
Equity in Net Assets of Nonconsolidated Subsidiaries and Associates	7,977.0	7,232.3
Corporate Assets	3,637.8	3,818.0
Eliminations	(295.4)	(365.9)
Total Assets	$87,421.9	$72,593.0

Geographic Segments

Net sales and revenues, net income (loss), total and net assets and average number of employes in the U.S. and in locations outside the U.S. for 1987, 1986 and 1985 are summarized below. Net income (loss) is after provisions for deferred income taxes applicable to that portion of the undistributed earnings not deemed to be permanently invested, less available tax credits and deductions, and appropriate consolidating adjustments. Interarea sales and revenues are made at negotiated selling prices.

1987	United States	Canada	Europe	Latin America	All Other	Total*
			(Dollars in Millions)			
Net Sales and Revenues:						
Outside	$77,690.6	$ 5,791.3	$14,476.6	$1,904.0	$1,919.4	$101,781.9
Interarea	8,731.3	6,978.9	305.5	958.5	166.1	—
Total net sales and revenues	$86,421.9	$12,770.2	$14,782.1	$2,862.5	$2,085.5	$101,781.9
Net Income	$ 1,702.2	$ 42.9	$ 1,255.4	$ 445.0	$ 175.9	$ 3,550.9
Total Assets	$68,168.1	$ 4,827.8	$10,056.7	$3,092.0	$2,412.1	$ 87,421.9
Net Assets	$27,535.1	$ 2,171.4	$ 1,064.4	$1,827.4	$ 848.5	$ 33,225.1
Average Number of Employes (in thousands)	583	41	118	57	14	813

1986	United States	Canada	Europe	Latin America	All Other	Total*
Net Sales and Revenues:						
Outside	$82,977.0	$ 5,600.1	$10,675.8	$1,798.7	$1,762.1	$102,813.7
Interarea	8,366.1	7,817.4	462.2	899.2	59.7	—
Total net sales and revenues	$91,343.1	$13,417.5	$11,138.0	$2,697.9	$1,821.8	$102,813.7
Net Income (Loss)	$ 3,058.0	$ 381.9	($ 343.3)**	$ 32.6	($ 257.5)	$ 2,944.7
Total Assets	$57,668.8	$ 3,643.8	$ 7,590.3	$3,022.9	$1,862.5	$ 72,593.0
Net Assets	$27,525.0	$ 2,131.6	($ 593.2)	$1,299.1	$ 459.1	$ 30,678.0
Average Number of Employes (in thousands)	633	43	123	59	19	877

1985	United States	Canada	Europe	Latin America	All Other	Total*
Net Sales and Revenues:						
Outside	$80,204.7	$ 5,283.7	$ 7,671.6	$1,841.9	$1,369.8	$ 96,371.7
Interarea	8,893.8	8,494.6	322.8	995.5	483.7	—
Total net sales and revenues	$89,098.5	$13,778.3	$ 7,994.4	$2,837.4	$1,853.5	$ 96,371.7
Net Income (Loss)	$ 3,624.3	$ 473.7	($ 372.1)	$ 308.3	$ 9.1	$ 3,999.0
Total Assets	$50,796.0	$ 2,920.1	$ 5,960.6	$3,054.2	$1,634.6	$ 63,832.8
Net Assets	$26,710.0	$ 1,906.4	($ 765.7)	$1,327.8	$ 572.2	$ 29,524.7
Average Number of Employes (in thousands)	561	44	125	59	22	811

*After elimination of interarea transactions.
**Includes the effect of the termination of the heavy-duty truck portion of GM's European commercial vehicle operations.

NOTE 18. Profit Sharing Plans

Profit Sharing Plans were established, effective January 1, 1983, under which eligible United States hourly and salaried employes share in the success of the Corporation's U.S. operations. Under the Plans' provisions, 10% of profits, as defined, are shared when the Corporation's U.S. income before income taxes plus equity in U.S. earnings of nonconsolidated subsidiaries (principally GMAC) exceeds 10% of the net worth of U.S. operations plus 5% of the difference between total assets of U.S. operations and net worth of U.S. operations. Amounts applicable to subsidiaries incorporated in the U.S. that are operating outside of the U.S., as well as amounts applicable to associates, are excluded from the calculation. Ten percent of the profits in excess of the minimum annual return, less a diversion for the Guaranteed Income Stream Benefit Program and Income Protection Plan and that portion of profit sharing allocable to nonparticipating employes, are distributed to eligible U.S. employes by March 31 following the year earned.

GM's earnings in 1987 and 1986 were not sufficient to generate a payout under the profit sharing formula. The accrual for profit sharing was $180.3 million in 1985.

NOTE 19. Commitments and Contingent Liabilities

Minimum future commitments under operating leases having non-cancellable lease terms in excess of one year, primarily for real property, aggregating $3,355.2 million, are payable $535.7 million in 1988, $405.8 million in 1989, $273.9 million in 1990, $206.4 million in 1991, $177.3 million in 1992 and $1,756.1 million thereafter. Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were $913.6 million in 1987, $882.4 million in 1986 and $690.0 million in 1985.

The Corporation and its subsidiaries are subject to potential liabilities under government regulations and various claims and legal actions which are pending or may be asserted against them. Some of the pending actions purport to be class actions. The aggregate ultimate liability of the Corporation and its subsidiaries under these government regulations, and under these claims and actions was not determinable at December 31, 1987, but, in the opinion of management such liability is not expected to have a material adverse effect on the Corporation's consolidated financial position.

ACCOUNTANTS' REPORT

Deloitte
Haskins+Sells

1114 Avenue of the Americas
New York, New York 10036

General Motors Corporation, its Directors and Stockholders:

February 8, 1988

We have examined the Consolidated Balance Sheet of General Motors Corporation and consolidated subsidiaries as of December 31, 1987 and 1986 and the related Statements of Consolidated Income and Changes in Consolidated Financial Position for each of the three years in the period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies at December 31, 1987 and 1986 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles consistently applied during the period except for the change in 1986, with which we concur, in the method of accounting for pensions as described in Note 8 to the Financial Statements.

Deloitte Haskins + Sells

Supplementary Information

Selected Quarterly Data
(Dollars in Millions Except Per Share Amounts)

	1987 Quarters				1986 Quarters			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Net sales and revenues	$26,096.9	$26,699.8	$22,606.9	$26,378.3	$26,820.1	$27,625.3	$22,841.0	$25,527.3
Operating income (loss)	687.4	781.9	356.8	743.3	1,365.4	1,085.8	(251.5)	(768.8)(a)
Income (Loss) before income taxes	537.1	650.7	292.9	524.7	1,391.2	1,087.4	(207.5)	(810.8)
United States, foreign and other income taxes (credit)	71.9	63.8	(179.5)	(16.1)	475.2	377.9	(236.2)	(917.2)
Income after income taxes	465.2	586.9	472.4	540.8	916.0	709.5	28.7	106.4
Equity in earnings of nonconsolidated subsidiaries and associates(b)	457.3	393.4	339.9	295.0	282.9	308.9	316.4	275.9
Net income	922.5	980.3	812.3	835.8	1,198.9	1,018.4	345.1	382.3
Dividends on preferred and preference stocks	2.7	2.6	2.8	5.6	2.8	2.7	2.6	2.7
Earnings on common stocks	$ 919.8	$ 977.7	$ 809.5	$ 830.2	$ 1,196.1	$ 1,015.7	$ 342.5	$ 379.6
Earnings attributable to:								
$1-2/3 par value common stock	$ 833.8	$ 888.1	$ 718.3	$ 738.7	$ 1,116.1	$ 928.1	$ 253.3	$ 310.2
Class E common stock	$ 28.2	$ 31.3	$ 35.4	$ 44.2	$ 29.9	$ 33.2	$ 37.5	$ 35.6
Class H common stock	$ 57.8	$ 58.3	$ 55.8	$ 47.3	$ 50.1	$ 54.4	$ 51.7	$ 33.8
Average number of shares of common stocks outstanding (in millions):								
$1-2/3 par value common	318.2	317.0	315.2	312.8	317.3	317.8	317.8	317.7
Class E common	53.2	53.1	52.5	51.7	65.6	64.6	64.2	60.8
Class H common(c)	132.0	130.9	130.4	129.9	130.7	127.8	126.6	126.3
Earnings per share attributable to:								
$1-2/3 par value common stock(d)	$2.62	$2.80	$2.28	$2.36	$3.52	$2.92	$0.80	$0.97
Class E common stock	$0.53	$0.59	$0.68	$0.85	$0.46	$0.51	$0.58	$0.58
Class H common stock(c)	$0.44	$0.44	$0.43	$0.36	$0.38	$0.42	$0.41	$0.27
Cash dividends per share of common stocks:								
$1-2/3 par value common	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25
Class E common	$0.13	$0.13	$0.13	$0.13	$0.10	$0.10	$0.10	$0.10
Class H common(c)	$0.09	$0.09	$0.09	$0.09	$0.075	$0.075	$0.075	$0.075
Stock price range:								
$1-2/3 par value common(e): High	$81.00	$92.38	$94.13	$84.25	$88.63	$86.38	$78.75	$75.00
Low	$66.25	$77.50	$80.00	$50.00	$68.38	$74.63	$66.88	$65.88
Class E common(f): High	$40.00	$45.38	$50.38	$51.00	$47.25	$49.63	$48.75	$37.25
Low	$24.00	$33.50	$38.38	$30.00	$36.13	$42.63	$32.50	$24.75
Class H common(c) (g): High	$22.12	$24.69	$24.94	$25.25	$24.62	$23.87	$21.62	$22.00
Low	$19.44	$21.37	$23.62	$20.12	$16.31	$20.56	$19.50	$18.31

In the third quarter of 1987, the Corporation revised the estimated service lives of its plants and equipment and special tools retroactive to January 1, 1987. These revisions, which were based on 1987 studies, recognized current estimates of service lives of the assets and had the effect of reducing 1987 depreciation and amortization charges by $1,236.6 million or $2.55 per share of $1-2/3 par value common stock. The separate effect would have been: first quarter—$0.64, second quarter—$0.59, third quarter—$0.59, and fourth quarter—$0.73. The effective income tax rates and credits for the 1987 quarters reflect the reduced earnings, the continuing high level of amortization of investment tax credits earned in prior years and the utilization of loss carryforwards at certain foreign operations.

The effective income tax rates and credits for the 1986 quarters reflect the earnings, the continuing amortization of U.S. investment tax credits and, in the fourth quarter, recognition of tax benefits from restructuring foreign operations.

(a) Includes a special provision for scheduled plant closings and other restructurings of $1,216.6 million.

(b) In 1987, GMAC revised the rates of depreciation for automobiles on operating leases to retail customers to give effect to current experience with respect to the residual values of the automobiles. These revisions had the effect of increasing GMAC's 1987 net income by $254.7 million or $0.81 per share of $1-2/3 par value common stock.

(c) Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend declared February 1, 1988, payable March 10, 1988.

(d) Includes favorable (unfavorable) effects on earnings per share of: foreign exchange/translation activity: 1987: first quarter—$0.02, second quarter—($0.09), third quarter—($0.16), fourth quarter—$0.14; 1986: first quarter—$0.26, second quarter—($0.14), third quarter—($0.02), fourth quarter—($0.14); adoption of SFAS No. 87 in 1986: first quarter—$0.41, second quarter—$0.11, third quarter—$0.24, fourth quarter—$0.20; and revisions to pension plan actuarial assumptions in 1986: second quarter—$0.32, third quarter—$0.10, fourth quarter—$0.19.

(e) The principal market is the New York Stock Exchange and prices are based on the Composite Tape. $1-2/3 par value common stock is also listed on the Midwest, Pacific and Philadelphia stock exchanges. As of December 31, 1987, there were 819,719 holders of record of $1-2/3 par value common stock.

(f) The principal market is the New York Stock Exchange and prices are based on the Composite Tape. As of December 31, 1987, there were 437,629 holders of record of Class E common stock.

(g) The principal market is the New York Stock Exchange and prices are based on the Composite Tape. As of December 31, 1987, there were 506,396 holders of record of Class H common stock.

(continued)

Supplementary Information (concluded)

Selected Financial Data (Dollars in Millions Except Per Share Amounts)	**1987**	**1986**	**1985**	**1984**	**1983**
Net sales and revenues	$101,781.9	$102,813.7	$96,371.7	$83,889.9	$74,581.6
Earnings attributable to $1-2/3 par value common stock	$ 3,178.9	$ 2,607.7	$ 3,883.6	$ 4,498.3	$ 3,717.3
Cash dividends on $1-2/3 par value common stock	1,579.6	1,588.0	1,592.9	1,510.0	879.3
Dividend of Class E common shares	—	—	—	586.7	—
Dividend of Class H common shares	—	(.5)	572.1	—	—
Net income retained in the year	$ 1,599.3	$ 1,020.2	$ 1,718.6	$ 2,401.6	$ 2,838.0
Earnings per share attributable to $1-2/3 par value common stock	$10.06	$8.21	$12.28	$14.27	$11.84
Cash dividends per share of $1-2/3 par value common stock	5.00	5.00	5.00	4.75	2.80
Per share dividend of Class E common shares	—	—	—	1.90	—
Per share dividend of Class H common shares	—	—	1.94	—	—
Net income per share retained in the year	$ 5.06	$3.21	$ 5.34	$ 7.62	$ 9.04
Earnings attributable to Class E common stock (issued in 1984)	$ 139.1	$ 136.2	$ 103.8	$ 5.7	—
Cash dividends on Class E common stock (issued in 1984)	27.4	25.9	12.4	1.2	—
Net income retained in the year	$ 111.7	$ 110.3	$ 91.4	$ 4.5	—
Earnings per share attributable to Class E common stock	$2.65	$2.13	$1.57	$0.16*	—
Cash dividends per share of Class E common stock	0.52	0.40	0.195	0.045*	—
Net income per share retained in the year	$2.13	$1.73	$1.375	$0.115*	—
Earnings attributable to Class H common stock (issued in December 1985)	$ 219.2	$ 190.0	—	—	—
Cash dividends on Class H common stock (issued in December 1985)	47.2	38.4	—	—	—
Net income retained in the year	$ 172.0	$ 151.6	—	—	—
Earnings per share attributable to Class H common stock**	$1.67	$1.48	—	—	—
Cash dividends per share of Class H common stock**	0.36	0.30	—	—	—
Net income per share retained in the year**	$1.31	$1.18	—	—	—
Average number of shares of common stocks outstanding (in millions):					
$1-2/3 par value common	315.8	317.6	316.3	315.3	313.9
Class E common (issued in 1984)	52.6	63.8	66.5	36.3*	—
Class H common (issued in December 1985)**	130.8	127.8	—	—	—
Cash dividends on capital stocks as a percent of net income	47.0%	56.5%	40.4%	33.7%	23.9%
Expenditures for real estate, plants and equipment	$ 4,711.2	$ 8,086.3	$ 8,047.9***	$ 3,595.1	$ 1,923.0
Expenditures for special tools	$ 2,346.2	$ 3,625.3	$ 3,075.0	$ 2,452.1	$ 2,083.7
Cash and marketable securities	$ 4,706.4	$ 4,018.8	$ 5,114.4	$ 8,567.4	$ 6,216.9
Working capital	$ 14,243.3	$ 3,920.3	$ 1,957.5	$ 6,276.7	$ 5,890.8
Total assets	$ 87,421.9	$ 72,593.0	$63,832.8	$52,144.9	$45,694.5
Long-term debt and capitalized leases	$ 4,313.4	$ 4,325.3	$ 2,867.2	$ 2,772.9	$ 3,521.8

The revision in 1987 of estimated service lives of plants and equipment and special tools had the effect of reducing 1987 depreciation and amortization charges by $1,236.6 million or $2.55 per share of $1-2/3 par value common stock. Financial data for years prior to 1986 have not been restated for the adoption effective January 1, 1986 of Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions. The effect of adopting SFAS No. 87 was to increase net income for 1986 by $330.5 million or $0.96 per share of $1-2/3 par value common stock, $0.04 per share of Class E common stock and $0.17 per share (post-split) of Class H common stock. Earnings and earnings per share attributable to common stocks in 1985 and 1984 have been restated to reflect the Class E common stock amendment approved by the stockholders in December 1985.

*Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend distributed on June 10, 1985.

**Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend declared February 1, 1988, payable March 10, 1988.

***Includes $1,948.7 million of net property acquired in Hughes acquisition.

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Donald J. Atwood
Vice Chairman

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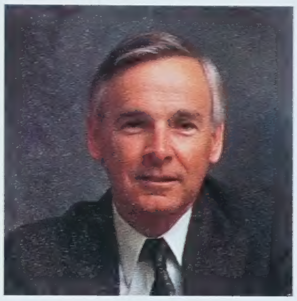
Executive Vice President, Legal, Operating and Public Affairs Staffs

Lloyd E. Reuss
Executive Vice President, North American Automotive Operations



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Executive Vice President, Finance and Chief Financial Officer

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Treasurer

John E. Rhame
Comptroller

*Retired effective January 1, 1988

**Effective February 1, 1988

#Resigned effective January 1, 1988 to join Detroit Diesel Corporation joint venture

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Joined Board May 22, 1987.

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Director—7 Years

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Director—13 Years

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Director—2 Years

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Director—17 Years

Dennis Weatherstone
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Director—3 Years

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Lloyd E. Reuss
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Leon H. Sullivan
Dennis Weatherstone

Stockholder Information

The Annual Meeting of Stockholders will be held at 9:00 a.m. on Friday, May 20, 1988 in Detroit, Michigan.

Notice of the Annual Meeting, the Proxy Statement, and proxy will be mailed to stockholders.

Principal Offices
General Motors Corporation
(a Delaware Corporation)
3044 West Grand Boulevard
Detroit, Michigan 48202

767 Fifth Avenue
New York, New York 10153

Stock Transfer Offices
Morgan Shareholder Services
Trust Company
30 West Broadway
New York, New York 10007-2192
(212-587-6285)

National Trust Company Limited
21 King Street, East
Toronto, Ontario M5C 1B3, Canada

National Trust Company Limited
1350 Sherbrooke Street, West
Montreal, Quebec H3G 1J1, Canada

The Following Materials Are Available For Distribution To Stockholders:

S.E.C. Form 10-K
Stockholders may obtain a copy of the General Motors Corporation Annual Report to the Securities and Exchange Commission on Form 10-K after April 1, 1988.

1988 Public Interest Report
GM's 18th successive annual accounting of its programs, progress, and goals in various areas of public interest will be available in a booklet, "1988 General Motors Public Interest Report," after May 1, 1988.

Tape Recording of 1987 GM Annual Report
A cassette tape recording of major portions of the 1987 Annual Report will be available after April 1, 1988 at no charge for distribution to handicapped persons.

The Dividend Reinvestment Plan provides registered holders of $1-2/3 par value common stock with a simple and convenient method of reinvesting cash dividends and making optional cash investments in additional shares without a service charge. A prospectus and authorization card may be requested from the transfer agent's New York office or from GM at the address given for other materials.

Requests specifying the materials desired should be sent to:
General Motors Corporation
Room 10-262
General Motors Building
3044 West Grand Boulevard
Detroit, Michigan 48202
(313-556-2044)

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